

City of Kankakee, Illinois

Comprehensive
Annual Financial Report
for the Fiscal Year Ended
April 30, 2005

Prepared by:
The Comptroller's Office
James A. Spice
Comptroller

**CITY OF KANKAKEE, ILLINOIS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED APRIL 30, 2005**

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INTRODUCTORY SECTION



Comptroller
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October 4, 2005

Honorable Mayor, City Aldermen, and citizens of the City of Kankakee:

The Comprehensive Annual Financial Report (CAFR) of the City of Kankakee, Illinois for the fiscal year ended April 30, 2005 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with City of Kankakee management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various governmental activities, business-type activities, funds, and component units of the City of Kankakee. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The CAFR is presented in four sections:

Introductory -- Includes this transmittal letter, a list of the City's principal officials, the City's organizational chart, and the 2004 Certificate of Achievement for Excellence in Financial Reporting;

Financial -- Contains the independent auditors' report on the City's financial statements and schedules, management's discussion and analysis (MD&A) of the City's financial report, the City's basic financial statements, required supplemental information, and combining and individual fund statements and supplemental schedules;

Statistical -- Displays selected financial and demographic information, generally presented on a multi-year basis, and supplementary bond debt service schedules and continuing disclosure information in accordance with requirements under the SEC and MSRB;

Single Audit -- Provides information related to a single audit in conformity with provisions of the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations* that the City of Kankakee is required to undergo annually as a result of the City's participation in a number of federally assisted grant programs. This Single Audit section includes a schedule of expenditures of federal awards, the independent auditors' reports on internal control and compliance with applicable laws and regulations, and a schedule of findings and questioned costs.

The City adopted the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, during the fiscal year ended April 30, 2004. Accordingly, the City implemented the general provisions of the Statement in the prior fiscal year and has elected to retroactively report infrastructure assets acquired prior to April 30, 2003 in the current fiscal year.

The GASB is an organization that establishes accounting and financial reporting standards for state and local governments in the United States. GASB Statement No. 34 significantly changed the required format for governmental statements in a number of ways. The most significant of these changes was to require that governments prepare entity-wide financial statements in addition to the fund-based financial statements that governments have traditionally prepared. The entity-wide financial statements attempt to present a government's financial position and results of operations in a manner similar to a business. More information about this "new financial reporting model" is provided in Management's Discussion and Analysis (MD&A) located in the Financial Section of this report.

This report includes all the funds of the City of Kankakee (the primary government), as well as its component units, the Kankakee Public Library and Special Service Area #1. Component units are autonomous entities for which the primary government is financially accountable.

The Reporting Entity and its Services

The City of Kankakee was incorporated in 1865 and operates as a home rule municipality pursuant to the 1970 Illinois Constitution. The City is governed by an elected mayor and a City Council comprised of 14 aldermen. Two aldermen are elected from each of the City's seven wards for four-year terms. Mayoral elections are held every four years.

The City provides a full range of public services including: public safety (police, fire, emergency ambulance, and code enforcement), street and public infrastructure maintenance, sanitation, sanitary sewer collection, storm drainage, health and social services, culture and recreation, municipal planning and zoning, and general administrative services. Water service is provided by Aqua Illinois Water Company, a private utility. Wastewater treatment service is provided by the Kankakee River Metropolitan Agency ("KRMA"), which is jointly owned and operated by the City and the neighboring Villages of Bradley, Bourbonnais and Aroma Park.

The City of Kankakee is located in Kankakee County, approximately 60 miles south of Chicago in the northeastern section of the State of Illinois. The City has recently extended its boundaries in a southerly direction through annexation. Since 1990, the area of the City has grown from 10.2 square miles to the current 13.7 square miles, an increase of 34% in land area. The City acts as the industrial and service center for the Kankakee metropolitan area. With a current population of 27,491 (2000 U.S. Census), the City operates as the center of a metropolitan populace of approximately 65,000 people, and is the county seat of Kankakee County, which has a population of 103,833 people.

One of the City's greatest assets from an economic and recreational standpoint is the Kankakee River, which flows in a northwesterly direction through the middle of the City from Indiana toward the Illinois River. At the point where it flows through the City, the river is about ¼ of a mile wide. There are several City parks along the river's edge that provide for public fishing and boating activities. At the end of each summer, the City holds a regatta (speed boat championship racing) on the river which draws many boaters and tourists to the area. The Kankakee River State Park, which covers an area of about 4,000 acres, is located about seven miles northwest of the City. The park attracts thousands of tourists to the area annually.

Major Initiatives and Economic Outlook

Employment opportunities in the City are diverse. On the private side, several companies in the Kankakee metropolitan area are manufacturing divisions of Fortune 500 companies making a variety of products. Many of these industries compete in national and international markets. Major regional employers include Armstrong World Industries, Cognis Corporation, K-Mart and Sears Distribution Centers, Wal-Mart, Aventis Behring, Rohm & Haas, CIGNA Insurance Claims Processing Center, Baker and Taylor, Provena St. Mary's, Super K-Mart, Riverside Medical Center and Shapiro Developmental Center.

The Kankakee metropolitan area has benefited from the investment in commercial activity. In August 1990, Northfield Square opened on the outskirts of the City. Northfield Square is a sizable mall, and includes Sears, JC Penny, and Carson Pirie Scott anchor stores. The mall itself employs about 1,000 people. Several other stores and establishments that are nationally recognized have operations located in the area. They include Holiday Inn Express, Lees Inn, Fairfield Inn, Hampton Inn, Toys "R" Us, Red Lobster, Pizza Hut, Pier 1 Imports, Lone Star Steak House, Cracker Barrel, TGI Fridays, Old Country Buffet, Target, Barnes & Noble Booksellers, and Staples.

In 2003, the City initiated redevelopment at Exit 308 on the southern border of the City. The project initially brought a Hilton Garden Inn hotel/convention center complex (completed late Summer 2004). The entire project, when it is completed, will include retail stores, a restaurant and other commercial establishments. There is optimism that this project will anchor additional commercial and residential growth in south Kankakee.

In fiscal year 2000, the City entered into sales tax sharing agreements with various retail firms. These agreements have begun to provide substantial amounts of additional sales tax revenues to the City's General Fund. This tax sharing program is based on a company's willingness to site a purchasing and/or sales approval office within the boundaries of the City. The agreements provide that the City will share a portion of the local share of sales taxes that are generated on the transactions of the partnering companies. The City ranked as the 6th highest among all Illinois cities for annual retail sales tax receipts for the calendar year 2004 (as reported in the Quarterly Report of Sales Tax Receipts by Standard Industrial Classification produced by the Illinois Department of Revenue).

Other significant economic events during the past few years include the following:

- continued implementation of the award winning Downtown/Eastside Master Plan, developed by the Lakota group, consisting of improvements to the eastern entrance/corridor of the City and the downtown area
- completion of approximately \$30 million in curb, gutter, sidewalk, and other capital improvements and additions throughout the City
- a \$5 million investment on West Court Street to the Provena/St. Mary's Hospital that included demolition of an existing building and new facility construction, including additional green space

- leasing of 150,000 square feet of the formerly idle Roper manufacturing facility by Daimler-Chrysler for the warehousing and retooling of equipment
- the completion of the new public library in the downtown Executive Center
- completion of a new aquatic complex (water slides, a "lazy river", and a zero-depth pool (pool with beach-like entrance))
- completion of a four-story parking garage at Riverside Hospital; and additional expansion of the medical facilities for outpatient care and physician offices completed at a total estimated investment of \$24 million
- construction of a \$9 million education and workforce training facility financed jointly by the Kankakee Community College and a state grant of \$1 million
- opening of a new office for Peoples Bank at Court and Dearborn Streets completed at an investment of \$2 mil.
- construction of a \$6.6 million ice arena and fitness center (including locker rooms, laundry facilities, a scoreboard, ticket office, concession center, and a 2,000-square foot fitness center) on River Road financed by a state grant (opened September 2005)
- replacement of the North 5th Avenue bridge and roadway over Soldier Creek financed in part by a \$500,000 state grant
- completion of the new Kankakee County Jail and Sheriff Administration building on the south side of I57 near Exit 308

Future economic activities include:

- a state and county cooperative study is being conducted to determine the feasibility of extending commuter rail service from Chicago; the completion of Phase I of the study determined the project is feasible, and local officials are now seeking funding of \$300,000 for Phase II
- Gas City is currently constructing its largest gas station at U.S 45-52 and Interstate 57; the project will include adjacent retail space for a Dunkin Donuts, Subway Sandwich, and Great American Hot Dog franchises
- reconstruction of Station Street bridge over the Kankakee River at a cost of over \$4 million through a state grant has commenced
- construction continues on the \$40 million IKO Roofing facility that promises 55 new full time jobs

- rehabilitation of the newly renamed Clock Tower Centre, a four tower, five story, 50,000 square foot building; the \$3 million project includes replacement of every window and the elevators, and a complete rehab of the entire interior
- recent announcement that Aqua Illinois (the local area water utility) will establish a Midwest call centre at the new Clock Tower Centre that will provide 35 jobs
- recent announcement that Wal-Mart is building a new 200,000 square foot, \$10 mil. prototype super center store that will employ between 350 to 500 people, located at Exit 308 of I57 adjacent to the new Hilton Gardens Hotel
- recent announcement that Jones International truck dealership purchased seven acres of land in the Eastgate Industrial Park as it relocates and expands from its current Court Street operation at an investment of over \$1 mil., creating 12 jobs
- recent announcement that Kankakee Community College will be constructing a \$9 mil. Arts and Sciences building
- construction continues at Cognis Corp on a \$17 mil. expansion project that will serve to retain 280 jobs and will involve the relocation of a product line from a South Carolina facility
- Kankakee Community College recently established an Adult Training Center in the downtown area
- demolition of the aged former Carson Pirie Scott Building is scheduled, making way for an additional downtown parking lot to be named Illinois Central Plaza
- the City's first new subdivision in over 30 years is under way; to date, four single family homes have been completed; the project includes over 180 homes, townhouses, and condos; the second phase of the project was recently approved.

Independent Audit

Illinois Compiled Statutes require an annual audit of the City's books of account, financial records, and transactions by an independent certified public accountant. The Certified Public Accounting firm of Payne, Gray, Groskreutz and Schmidt performed the audit of the records of the City for the fiscal year ending April 30, 2005. Their report is included herein.

As a recipient of various federal and state financial assistance programs, the City of Kankakee is also required to have an annual audit of certain major federal grant programs performed under the OMB Circular A-133. This audit contains information concerning whether grant activity is presented fairly in the general purpose financial statements, whether internal control is sufficient to provide reasonable assurance that the funds are managed properly, and whether material grant compliance requirements have been met. The Federal Single Audit is also included in this report.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Kankakee, Illinois for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended April 30, 2004. This was the eighth consecutive year that the City of Kankakee has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff (Jeannette Holden, Maureen Kambic, Sandy Leppert, and Tamie Seedorf) of the Comptroller's Office. I especially appreciate their dependability, the routine manner in which they each consistently, effectively and accurately perform their work. Timely and fairly presented financial statements and reports are essential to legislative officials, creditors, financial analysts, the general public and others having need for government financial information.

We would like to express our appreciation to the Mayor and City Aldermen for supporting this office's efforts to plan and conduct the City's financial operations in a responsible and progressive manner. We would also like to express our appreciation to the firm of Payne, Gray, Groskreutz, and Schmidt for their professionalism, expertise, and assistance in the preparation of this report.

Respectfully submitted,

James A. Spice
Comptroller

City of Kankakee, Illinois
Officers and Officials
April 30, 2005

Elected Officials

Mayor

Donald E. Green (1993 – 2005)

Council Members

First Ward

James R. Cox (1985 – 2007)

Jess C. Gathing, Jr. (2001 – 2005)

Second Ward

JoAnne Schwade (1991 – 2007)

Jeff Kinkade (2001 – 2005)

Third Ward

John Trost (1999 – 2007)

Richard Diersen (2000 – 2005)

Fourth Ward

Kenneth Hearn (1997 – 2005)

Danita Grant Swanson (1987 – 2007)

City Clerk

Anjanita Dumas (2001 – 2005)

Fifth Ward

Hank Williams (2001 – 2005)

Sam Ciaccio (2003 – 2007)

Sixth Ward

Dennis Baron (1987 – 2007)

Nina Epstein (2001 – 2005)

Seventh Ward

Steven Hunter (1973 – 2005)

P. Carl Brown (2001 – 2007)

Appointed Officials

Michael Kinkade
Police Chief

Ronald Young
Fire Chief

Bert Dear
Public Works Superintendent

David Tyson
City Engineer

Larry Nolan
Community Development Director

Richard Simms
Municipal Utility Superintendent

Kenneth A. Leshen
Treasurer

Cindy Fuerst
Librarian

Chris Bohlen
Chief Legal Counsel

L. Patrick Powers
City Attorney

Kenneth A. Leshen
Assistant City Attorney

James Gordon
Personnel Director

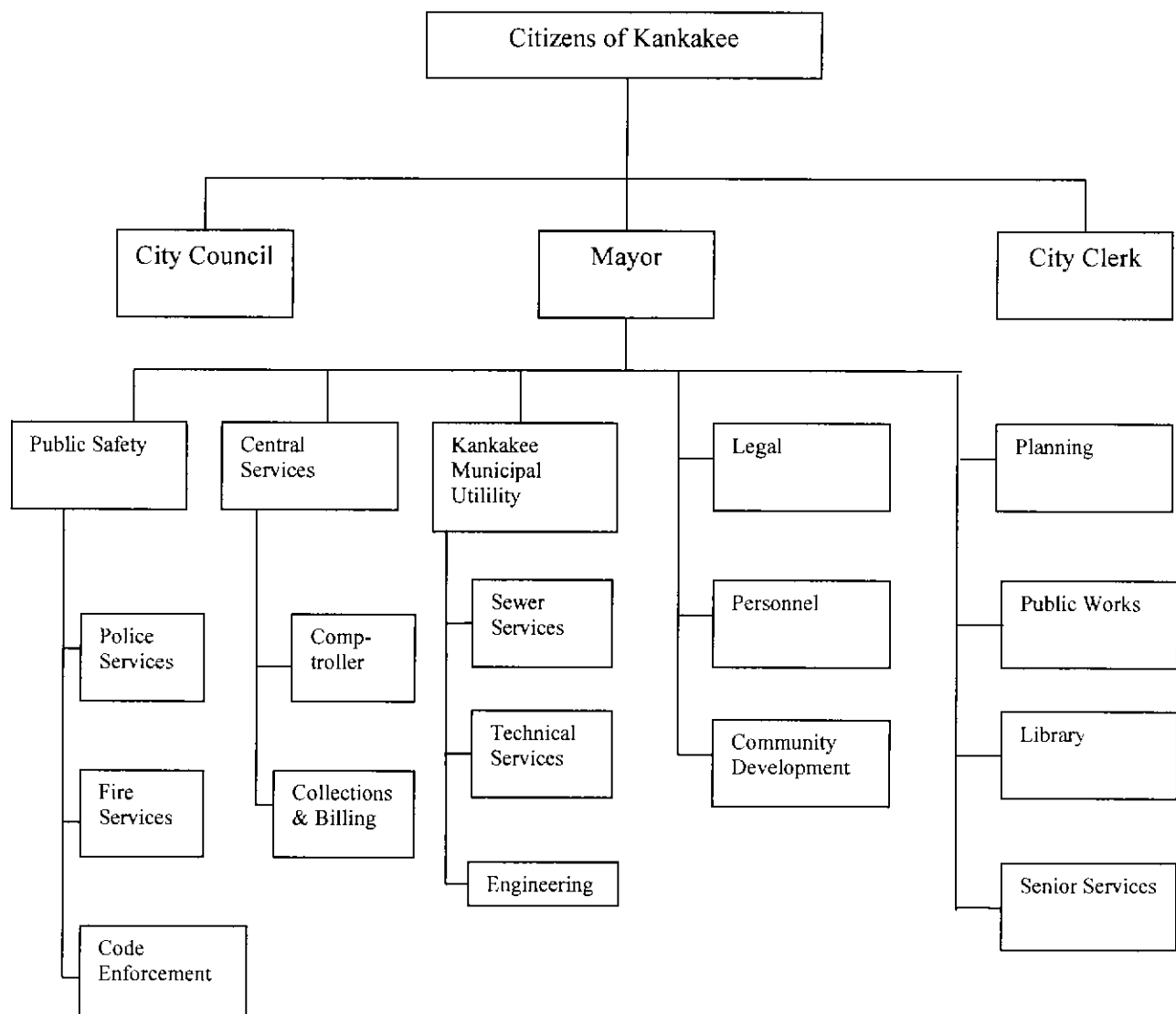
vacancy
Code and Planning Director

James A. Spice
Comptroller

Julie Herscher
Senior Services and Victim's
Assistance Director

City of Kankakee, Illinois

Organizational Structure



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Kankakee,
Illinois

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
April 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

President

Jeffrey R. Enen

Executive Director

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FINANCIAL SECTION



PAYNE
GRAY
GROSKREUTZ
& SCHMIDT

ACCOUNTANTS AND CONSULTANTS

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Kankakee, Illinois 60901
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PARTNERS

Bruce W. Payne, C.P.A.
Michael V. Gray, C.P.A.
Larry D. Groskreutz, C.P.A.
Stephen P. Schmidt, C.P.A.

INDEPENDENT AUDITORS' REPORT

To the City Council
Kankakee, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the

CITY OF KANKAKEE, ILLINOIS

as of and for the year ended April 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Kankakee, Illinois' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kankakee, Illinois, as of April 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2005, on our consideration of the City of Kankakee, Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and the required supplementary information listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Kankakee, Illinois' basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and supplemental schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of City of Kankakee, Illinois. The combining and individual nonmajor fund financial statements and supplemental schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Payne, Gray, Groskreutz + Schmidt

September 15, 2005



Comptroller
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MANAGEMENT'S DISCUSSION AND ANALYSIS

APRIL 30, 2005

The City of Kankakee (the "City") presents the following Management Discussion and Analysis (MD&A). The MD&A is designed to 1) assist the reader in focusing on significant financial issues, 2) provide an overview of the City's financial activity, 3) identify changes in the City's financial position (its ability to address the subsequent years' challenges) 4) identify any material deviations from the financial plan (the approved budget), and 5) identify individual fund issues or concerns.

Since the Management Discussion and Analysis is designed to review the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the Transmittal Letter (beginning on page I) and the City's financial statements (beginning on page 15).

USING THE FINANCIAL SECTION OF THIS COMPREHENSIVE ANNUAL REPORT

The City's annual report consists of a series of basic financial statements. This includes a government-wide financial statement presentation (Statement of Net Assets and Statement of Activities), a governmental funds financial statement presentation, a proprietary fund financial statement presentation, and additional financial statements reflecting activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government. The basic financial statement section also includes a series of notes that provide additional information that is essential to a full understanding of the data provided in the City's basic financial statements.

GOVERNMENT-WIDE STATEMENTS

The government-wide financial statements provide readers with a broad, long-term view of the City's finances in a manner similar to the way private-sector businesses report their financial information. The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government-wide financial statements can be found on pages 15 - 17 of this report.

The governmental activities of the City include public safety (police, fire, and code enforcement), public works, highways and streets, culture and recreation, economic development, and general administrative services. The business-type activities of the City include sewer and solid waste operations, the production, transmission, and delivery of electric power, and parking.

The City also includes two separate legal entities in its report, the City's Public Library and its Special Service Area #1. Although legally separate, the "component units" are important because the City is financially accountable for them. Therefore, financial information for these component units is reported separately from the financial information presented for the primary government itself.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating when evaluated with other non financial factors, such as changes in the City's property tax base.

For the City of Kankakee, assets exceeded liabilities for the total primary government by \$35.24 mil. at April 30, 2005. The following table reflects the condensed Statement of Net Assets:

Table 1: Statement of Net Assets as of April 30, 2005 and 2004 (in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Assets						
Current and Other Assets	\$ 31.46	\$ 24.95	\$ 6.93	\$ 9.03	\$ 38.39	\$ 33.98
Capital Assets	<u>60.01</u>	<u>58.12</u>	<u>29.49</u>	<u>27.20</u>	<u>89.50</u>	<u>85.32</u>
Total Assets	\$ 91.47	\$ 83.07	\$ 36.42	\$ 36.23	\$ 127.89	\$ 119.30
Liabilities						
Long-term Debt Outstanding	\$ 67.22	\$ 62.69	\$ 7.33	\$ 7.57	\$ 74.55	\$ 70.26
Other Liabilities	<u>17.69</u>	<u>16.12</u>	<u>0.41</u>	<u>0.22</u>	<u>18.10</u>	<u>16.34</u>
Total Liabilities	\$ 84.91	\$ 78.81	\$ 7.74	\$ 7.79	\$ 92.65	\$ 86.60
Net Assets						
Invested in Capital Assets, Net of Debt	\$ 29.10	\$ 27.49	\$ 22.47	\$ 18.46	\$ 51.57	\$ 45.95
Restricted	9.44	4.93	2.22	2.20	11.66	7.13
Unrestricted	<u>(31.98)</u>	<u>(28.16)</u>	<u>3.98</u>	<u>7.78</u>	<u>(28.00)</u>	<u>(20.38)</u>
Total Net Assets	\$ 6.56	\$ 4.26	\$ 28.68	\$ 28.44	\$ 35.24	\$ 32.70

(Note: There may be some slight differences in totals due to rounding)
For more detailed information, see the Statement of Net Assets (page 15).

Financial Highlights, Statement of Net Assets

Governmental Activities

In the governmental activities area this fiscal year, the City issued bonds for \$9.16 mil., \$5.95 mil. to finance capital asset additions and improvements, and \$3.10 mil. for an advanced refunding that was deposited in a bond escrow account. The City retired scheduled bond principal of \$2.19 mil. These transactions resulted in most of the \$6.51 million increase to current and other assets (26% to FY'05 balance of \$31.46 mil.) and the \$4.53 mil. increase to long-term debt outstanding (7% to FY'05 balance of \$67.22 mil.) (see Notes for Long-Term Debt Obligations starting on page 55 for more detailed information).

The City's governmental activities capital assets (net of depreciation) increased 3% (or \$1.89 mil. to FY'05 balance of \$60.01 mil.) as the City expended \$2.19 mil. for construction in progress, \$0.49 mil. to acquire capital equipment (a fire truck and several smaller vehicles), and \$0.32 mil. on land and various new or rebuilt streets, sidewalks, and other infrastructure (see Capital Asset Note starting on page 49 for more detailed information). Total net assets from governmental activities increased \$2.29 mil. (to FY'05 balance of \$6.55 mil.), primarily as a result of these transactions.

The City's combined net assets are invested in capital assets net of debt of \$51.57 mil. (up \$5.62 mil. (12%) from the prior fiscal year); in restricted assets (restricted for capital projects, debt service, economic development, and the street maintenance program) of \$11.66 mil. (up \$4.53 mil. (61%) from the prior fiscal year); and in unrestricted assets of -\$28.00 mil. (down \$7.62 mil. (37%) from the prior fiscal year).

Business-Type Activities

The business-type activities columns present financial information for the Kankakee Municipal Utility and the Motor Vehicle Parking Lot. Motor Vehicle Parking Lot total net assets represent about 5% of the total assets of business-type activities, and revenues about 1/10% of the total business-type revenue, so although the Motor Vehicle Parking Lot is included in the total of this analysis to facilitate comparison to the Statement of Net Assets, it is not a large factor in the analysis.

The current and other non-capital assets for business-type activities decreased \$2.10 mil. (23% to FY'05 balance of \$6.14 mil.) as the Utility invested \$2.01 mil. in available funds for additions to its property, plant and equipment, and invested \$2.35 mil. for construction in progress. The current liabilities for business-type activities increased \$0.19 mil. (90% to FY'05 balance of \$0.41 mil.), primarily as a result of an increase in accruals at the end of the fiscal year. There was no debt issued for business-type activities during the fiscal year. Outstanding debt decreased \$0.25 mil. (3% to FY'05 balance of \$7.33 mil.) as the Utility retired scheduled principal.

The total of net assets for business-type activities at April 30, 2005 was \$28.68 mil., up \$0.24 mil. (0.1%) from the prior fiscal year. At the same time, investment in capital assets net of related debt for business-type activities increased by \$4.01 mil. (22% to FY'05 balance of \$22.47 mil.) as a result of the system additions. Capital assets include buildings, equipment, vehicles, leasehold improvements and infrastructure.

The balance for restricted assets remained almost unchanged at \$2.22 mil., while unrestricted assets decreased \$3.80 mil. (or 49% to FY'05 balance of \$3.98 mil.), primarily as a result of the above noted transactions. Unrestricted assets may be used to finance the continuing operation of the Utility.

Component Units

The City includes two separate legal entities in its report, the Kankakee Public Library and the Special Service Area No. 1. Although legally separate, these "component units" are important because the City is financially accountable for them. Financial information for the component units is reported separately from the financial information for the primary government itself.

Total net assets of the Special Service Area #1 comprise only 9% of the total for component units, so it will not be discussed further in this analysis. The Public Library's total net assets decreased \$0.11 mil. (3% to FY'05 balance of \$3.49 mil.), primarily as a result of depreciation expenses of \$0.10 mil. There were no other unusual significant financial impacts to the Library's net assets during the current fiscal year.

The Statement of Activities presents information that indicates how the City's net assets changed during the most recent fiscal year as a result of operations. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The following charts graphically categorize the composition of the City's revenues and expenses from governmental activities -

Chart 1: Composition of revenues from governmental activities

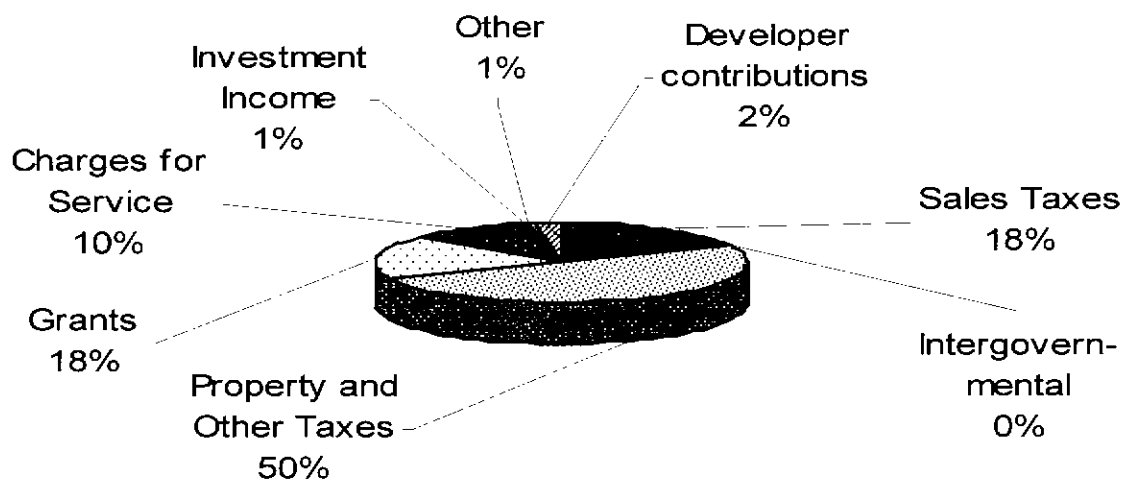
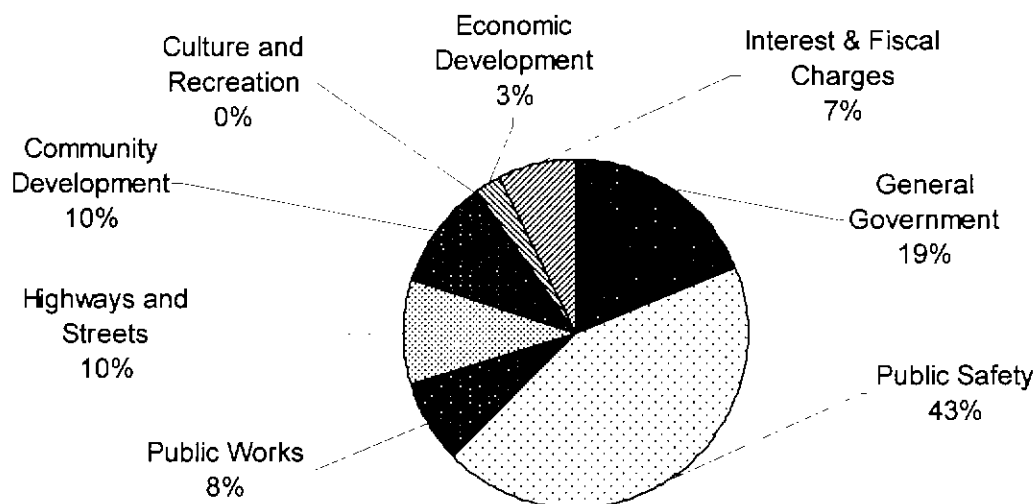


Chart 2: Composition of expenses from governmental activities



The following table compares the revenues and expenses for the current and most recent fiscal years for the City's governmental and business activities, and the resulting changes in net assets:

Table 2: Changes in Net Assets for the Fiscal Years Ended April 30, 2005 and 2004 (in millions)

	Governmental Activities		Business-type Activities		Total Primary Government Activities	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Program Revenues						
Charges for Service	\$ 2.91	\$ 2.73	\$ 8.26	\$ 7.93	\$ 11.17	\$ 10.66
Capital grants/contributions	1.06	0.26			1.06	0.26
Operating grants/contributions	4.02	3.29			4.02	3.29
General Revenues						
Property taxes	8.53	8.60			8.53	8.60
Sales taxes	5.28	4.32			5.28	4.32
Utility taxes	3.31	3.27			3.31	3.27
Other taxes	2.69	2.43			2.69	2.43
Intergovernmental	0.05	0.05			0.05	0.05
Investment income	0.16	0.08	0.05	0.04	0.21	0.12
Gain on disposal of prop. & equip.						
Other	0.21	0.43	0.19	1.91	0.41	2.34
Contributions from primary govt						
Contributions from developers	<u>0.66</u>	<u>-</u>	<u>1.04</u>	<u>2.53</u>	<u>1.70</u>	<u>2.53</u>
Total Revenues	\$28.90	\$25.46	\$ 9.55	\$12.41	\$ 38.44	\$ 37.87
Program Expenses						
General government	\$ 5.08	\$ 4.92			\$ 5.08	\$ 4.92
Public safety	11.66	11.34			11.66	11.34
Public works	2.13	2.08			2.13	2.08
Highways and streets	2.60	1.57			2.60	1.57
Community development	2.65	2.03			2.65	2.03
Culture and recreation	0.06	0.06			0.06	0.06
Economic development	0.69	6.84			0.69	6.84
Interest and fiscal charges	1.95	1.98			1.95	1.98
Proprietary fund expenses	<u>-</u>	<u>-</u>	<u>\$ 9.11</u>	<u>\$ 8.76</u>	<u>9.11</u>	<u>8.76</u>
Total Expenses	\$26.82	\$30.82	\$ 9.11	\$ 8.76	\$ 35.93	\$ 39.57
Changes in Net Assets before transfers	\$ 2.08	\$ (5.36)	\$ 0.44	\$ 3.66	\$ 2.51	\$ (1.70)

For more detailed information, see the Statement of Activities (page 16 - 17).

For the fiscal year ended April 30, 2005, revenues from governmental activities totaled \$28.90 mil, an increase of \$3.45 mil. (13.5%) from the prior fiscal year. During the fiscal year, the City continued to benefit from grant income. Capital grants (Varney Road and Station Street Bridge projects), representing just under 4% of governmental activity revenue, increased \$0.80 mil. (313.8% to FY'05 total of \$1.06 mil.) for the year, while operating grants, representing 14% of governmental activity revenue (primarily Community Development housing, lead, and CDBG grants), grew by \$0.73 mil. (22% to FY'05 total of \$4.02 mil.).

Net sales tax revenues (one percent share of the State collected tax) grew \$0.96 mil. (22.3% to FY'05 total of \$5.28 mil.). Net sales tax revenue comprised 18% of the total governmental activities revenue. The City has entered into several sales tax sharing agreements with various retail firms starting in fiscal year 2000. These agreements continue to provide substantial amounts of additional sales tax revenues to the City's General Fund (see chart below). This tax sharing program is based on a company's willingness to site a purchasing and/or sales approval office within the boundaries of the City. These agreements provide that the City will share a portion of the local share of sales taxes generated on the transactions of the partnering companies. The following table illustrates the growth in gross and net sales tax revenue over the past few fiscal years –

Table 3: Sales taxes and incentives

Fiscal Year		Sales Taxes Received	Incentives Paid	Net Sales Tax	\$ Change	Percent Change
2002	\$	4,578,964	\$ 1,588,129	\$ 2,990,835	\$ 747,278	33.3%
2003		8,881,076	5,237,343	3,643,733	652,898	21.8%
2004		15,023,494	10,701,236	4,322,258	678,525	18.6%
2005		22,351,192	17,066,791	5,284,401	962,143	22.3%

Investment income, which comprises less than 1% of the governmental activities revenue, grew \$0.08 mil. (100% to FY'05 balance of \$0.16 mil.). Other taxes (property tax, local utility tax and other per capita tax revenue) makes up over 50% of the total Governmental Activity revenue. Other taxes grew by \$0.24 mil. (2% to FY'05 total of \$14.54 mil.). Property taxes rates are affected by the assessed value of property in the City. Assessed values have remained fairly stable (see chart below).

Table 4: Equalized Assessed Valuations

Levy Year		Total	Increase	% Increase
2001	\$	219,866,912		
2002		225,445,538	\$ 5,578,626	2.5%
2003		228,353,812	2,908,274	1.3%
2004		229,476,246	1,122,434	0.5%

Overall, revenues from governmental activities exceeded expenditures (including transfers) by \$2.29 mil., an increase of \$7.97 mil. from the prior fiscal year's results of -\$5.68 mil., or a 140% improvement in the net results of operations for governmental activities.

For the fiscal year ended April 30, 2005, expenses from governmental activities totaled \$26.82 mil, a decrease of \$4.00 mil. (13%) from the prior year. The expense category with the largest increase was Highways and streets, which had \$2.60 mil. in expenses for the year, up \$1.03 mil. (66%) from the prior fiscal year as the City continued an aggressive infrastructure maintenance program.

Community Development expenses, representing 31% of the year's total governmental activities expenses, increased \$0.62 mil. (30%) to \$2.65 mil. as the agency reached out to the community utilizing the several available grants. Economic Development decreased \$6.15 mil. (90% to total FY'05 balance of \$0.69 mil.). The prior year the City had significant non-recurring economic development activity, including the \$3.07 mil. expended for the construction of infrastructure to support the new Hilton Garden Inn and conference center at the I57 Exit 308 (TIF#8 Fund) and \$3.29 mil. related to the Library project. The remainder of economic development expenditures relates to annual TIF expenses, which were fairly consistent with prior year amounts.

Business-Type Revenues, Expenses, and Changes in Net Assets (Utility):

The Kankakee Municipal Utility (KMU) sewer usage revenue increased \$0.34 mil. (4.3% to FY'05 total of \$8.27 mil.) for the year. KMU did not adjust sewer rates this fiscal year, but is considering a rate increase in the near future, especially for solid waste handling costs now that the local landfill has closed. Other KMU revenues decreased \$1.72 mil. (90% to FY'05 total of \$0.19 mil.), reflecting the non recurring sale of sewer capacity last year of \$1.34 mil.

KMU continues to expand its sewer system as the City expands its borders. Much of the recent KMU expansion costs have been picked up by those benefiting from the expansion, the developers. Developers contributed \$1.04 mil. this year compared to the \$2.53 mil. last year, a decrease of \$1.49 mil. (58.9%). Although investment income was up 30% over the prior fiscal year, this item makes up only 0.6% of the total revenues. Overall, total KMU revenue of \$9.55 mil. was \$2.86 mil. less (23%) than the prior fiscal year's total revenue.

KMU expenses increased \$0.35 mil. (4% to FY'05 total of \$9.11 mil.), which is fairly consistent with general inflationary pressure. Sewer operations charges of \$2.99 mil. were \$0.14 mil. greater (5%) than the prior fiscal year amount. Sewer improvement project expense of \$0.03 was a \$0.25 mil. (88%) decrease over the prior fiscal year as the project cycle varies with time.

There were no landfill siting costs incurred during the fiscal year compared to the prior year's expense of \$0.10 mil. as the landfill siting process has experienced legal delays brought by the County. At the same time, solid waste expenses were \$1.52 mil., up \$0.27 mil. (22%) over the prior fiscal year costs as the City experienced additional costs to haul solid waste since the County's only land fill was closed due to being filled to capacity.

Overall, KMU's net assets increased \$0.24 mil. (after transfers) for the year as a result of the events described above. KMU continues to maintain adequate financial reserves (\$3.98 mil. unrestricted) to provide for emergency repair and/or replacement of any component of the sewer system should an emergency condition arise.

Component Unit Revenues, Expenses, and Changes in Net Assets (Public Library):

In fiscal 2004, the City had issued bonds to acquire new space for the Library, resulting in a one time contribution of \$3.45 mil. from the City to the Library as revenue. Operating grant revenue decreased 97% (\$0.16 mil.) this fiscal year because the one-time grant related to the Library's move to its new facility was not repeated this year. The Library did realize a significant increase of \$0.72 mil. (129% to

FY'05 total of \$1.28 mil.) in property tax revenue, as the Library addressed the need to cover its increased costs related to occupancy of its new facility. Other Library income increased \$0.04 mil. (311% to FY'05 total of \$0.1 mil.).

Library total expenses decreased \$0.59 mil. (32% to FY'05 total of \$1.26 mil.). Most of the decrease related to the extra costs the Library incurred with its move to the new facilities. As noted in the net asset analysis, the Library realized a decrease in net assets of \$0.11 mil. compared to the \$2.2 mil. increase in net assets the prior fiscal year.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Financial Analysis of the City's Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, a governmental fund financial statement's focus is on near-term inflows and outflows (sources and uses) of financial resources, on balances of the City's financial resources available at the end of the fiscal year, and on the City's budgeting compliance associated with the financial sources and uses. Such information may be useful in evaluating the City's near-term financing requirements, and traditional users of governmental financial statements should find the fund financial statements presentation to be more familiar than the government-wide statements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it can be useful to compare the fund statements to the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation (pages 19 and 21) to facilitate this comparison between governmental funds and governmental activities.

The City maintains 34 individual governmental funds. Information for the City's major funds (General Fund and Capital Projects Fund) is presented separately in the Governmental Fund Balance Sheet (page 18) and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances (page 20). Data on the other 32 governmental funds is combined into a single, aggregated presentation. Individual fund data for each of the various non-major governmental funds is provided in the form of combining statements in the Combining and Individual Fund Financial Statements and Supplemental Schedules section (beginning on page 85) of this report.

For the fiscal year ended April 30, 2005, the Governmental Funds reflect a combined fund balance of \$13.22 mil. This was an increase of \$4.8 mil. (57%) from the prior year's combined fund balance. The General Fund increased \$0.58 mil., Capital Projects Fund \$5.02 mil., and Other Governmental Funds decreased \$0.79 during the year.

Of the total fund balance of \$13.22 mil., \$3.30 mil. (25%) is unreserved, indicating availability for continuing City services. Reserved fund balances include amounts for prepaid insurance, inventories, capital projects, special revenue funds, and debt service funds.

Analysis of Balances and Transactions of Individual Funds

As the City completed the fiscal year, its governmental funds (as presented in the balance sheet on page 18) reported a combined fund balance of \$13.22 mil., which is \$4.80 mil. greater (57%) than last year's total. Included in this year's fund balance change is the \$6.00 mil. bond issue for Capital Projects and the Capital Project expenses of \$1.36 mil. The City continues to provide financing for improvements to its infrastructure and capital equipment. Overall, the Capital Projects fund balance increased \$5.02 mil. (546%) over the prior year's balance.

The fund balance of the City's General Fund increased by \$0.58 mil. this fiscal year. The key factor in this growth is the success of the sales tax incentive program, which grew \$0.96 mil. (22%) over the prior year's amount. The increased revenues realized from the sales tax incentive program were used by the City to eliminate the vehicle license fee program this year. The vehicle license fee program had provided nearly \$0.40 mil. annually in General Fund revenues in the prior fiscal years the program existed.

The City had three funds that had deficit fund balances at the end of the fiscal year (see Note 18, page 70). These deficits are not in violation of any state law.

General Fund Budgetary Highlights

The City adopts an annual appropriated budget for the General, Band, Park, IMRF and Special Service Area No. 2 funds. The procedures used to control expenditures of the other governmental funds are explained further in Note 1, Budgetary Accounting on page 74. As noted above, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The following table presents budgetary highlights for the City's General Fund:

Table 5: General Fund Budgetary Highlights

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues	\$ 17,197,925	\$ 17,197,925	\$ 18,176,559
Expenditures	<u>16,796,323</u>	<u>16,796,323</u>	<u>18,047,228</u>
Excess of Revenues over Expenditures	\$ <u>401,602</u>	\$ <u>401,602</u>	\$ <u>129,331</u>
Other Financing Sources (Uses)	\$ <u>(151,602)</u>	\$ <u>(151,602)</u>	\$ <u>447,042</u>
Net Changes in Fund Balance	\$ <u>250,000</u>	\$ <u>250,000</u>	\$ <u>576,373</u>

The General Fund budget was not amended during the fiscal year. General Fund actual revenues were \$0.98 mil. greater than budget. The City used a conservative estimate of revenue based primarily upon

anticipated increases in sales tax revenues. A better than expected growth in this revenue category reflects a continued strengthening of the local economy.

The City budgeted a net increase to fund balance of \$250,000 as part of its plan to continue to strengthen its General Fund's fund balance. Even though actual expenses were \$1.25 mil. greater than budget, the City was still able to achieve a significant \$0.57 mil. increase to its General Fund balance for the year when including other financing sources and uses.

The increased revenue over budget provided resources to address the impact caused by increased expenses for insurance and fuel costs over budget, and provided resources that the City used to respond to other expense needs that arose during the fiscal year. A summary comparison of the General Fund budget to actual results can be found on page 74, and a more detailed comparison can be found on pages 81 – 83.

Capital Assets Analysis

The City's investment in capital assets for its governmental and business type activities for fiscal 2005 amounts to a total of \$89.50 mil. (net of accumulated depreciation), \$60.01 mil. and \$28.49 mil. respectively for the governmental and business type activities. This investment in capital assets includes construction in progress, land, buildings and improvements, land improvements, equipment, vehicles, leasehold improvements, and infrastructure (roads, sidewalks, curbs, gutters, and bridges).

The following table summarizes the capital assets (in millions, net of depreciation) of the City of Kankakee for the current and prior fiscal years –

Table 6: Capital Asset Highlights (net of depreciation) for the fiscal years ended April 30, 2005 and 2004 (in millions)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 4.13	\$ 4.07	\$ 1.70	\$ 1.70	\$ 5.83	\$ 5.77
Construction in progress	2.93	0.74	2.37	1.22	5.30	1.96
Buildings	2.09	2.13	8.03	8.28	10.12	10.41
Equipment	0.16	0.20	0.78	0.75	0.94	0.95
Vehicles	2.10	1.97	0.11	0.15	2.21	2.12
Land improvements	0.33	0.36			0.33	0.36
Leasehold improvements	0		0.27	0.28	0.27	0.28
Infrastructure	<u>48.27</u>	<u>48.65</u>	<u>16.23</u>	<u>14.83</u>	<u>64.50</u>	<u>63.48</u>
	\$60.01	\$58.12	\$29.49	\$27.21	\$89.50	\$85.33

Additional information on the City's capital assets can be found in Note 5 on pages 49 – 52.

The total increase in the City's investment in capital assets for the current fiscal year was \$4.19 mil. (5%). Major capital asset events during the 2005 fiscal year included the following:

- \$2.19 mil. for construction in progress, governmental activities
- \$0.49 mil. to acquire capital equipment (a fire truck and several smaller vehicles), governmental activities
- \$0.32 mil. on land and various new or rebuilt streets, sidewalks, and other infrastructure, governmental activities
- \$2.01 mil. in additions to sewer lines in various areas, business-type activities
- \$2.35 mil for construction in progress, business-type activities

Long-term Debt Analysis

At year end, the City had \$62.37 mil. in bonds outstanding versus \$60.56 mil. the prior year, - an increase of 3%, as shown in the following table (expressed in millions) –

Table 7: Bonded Debt Highlights for the fiscal years ended April 30, 2005 and 2004 (in millions)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
General obligation bonds (backed by the City)	\$ 36.52	\$ 32.04	\$ -	\$ -	\$ 36.52	\$ 32.04
Self-supporting general obligation bonds (backed by revenues of various TIF districts and special service area #1)	16.77	18.97			16.77	18.97
Revenue bonds (backed by specific fee revenues)	<u>-</u>	<u>-</u>	<u>9.08</u>	<u>9.55</u>	<u>9.08</u>	<u>9.55</u>
	\$ 53.29	\$ 51.01	\$ 9.08	\$ 9.55	\$ 62.37	\$ 60.56

Additional information on the City's debt can be found in Note 9 on pages 55 – 65.

The City issued bonds in the amount of \$9.16 mil., \$5.95 mil. to finance capital asset additions and improvements, and \$3.10 mil. for an advanced refunding that was deposited in a bond escrow account. The also City retired scheduled bond principal of \$2.19 mil. of governmental activities debt this fiscal year.

The City, under its home rule authority, does not have a legal debt limit. The City has not had an underlying public rating in the past several years. The City's bond issue received an insured rating from Moody's of Aaa. The City plans to issue additional bonds in the future to finance long-term infrastructure improvements and for economic development purposes.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Residential property comprised 60% (\$138.1 mil.), commercial property 30% (68.25 mil.), and industrial property 9% (\$21.44 mil.) of the City's total equalized assessed value of \$229.48 mil. for the 2004 property tax year. The property tax revenue derived from the residential, commercial, and industrial properties remains stable. Income tax revenue from the State, affected over the past few years by the general downturn in the economy, continues to show some recovery. The sales tax growth of 2005 is projected to continue through fiscal 2006 as the City continues its economic development efforts and as the national and local economies improve.

The fiscal year 2006 total budget includes an increase of \$1.11 mil. (6%, from \$18.08 mil. to \$19.19 mil.) in expenditures over fiscal 2005 budgeted expenditures. The budget does provide for a planned increase in the fund balance of \$350,000 (anticipated revenues in the budget are \$350,000 in excess of the budget's anticipated expenditures).

Budgeted expenditures include increases due to normal annual salary adjustments, most of which are part of employee labor agreements, increases in health and liability insurance costs, and increases in employer pension contributions. Expenditures for commodities and other contractual services are increasing, although at a lower pace than the other expenditure areas. The fiscal 2006 budget does not include new programs or projects.

The City of Kankakee has not approved any changes in tax rates or fees for the coming fiscal year. The City was awarded a state grant of \$3.3 mil. for the renovation of the old Library building (\$1.9 mil.) and for decorative street lighting in the downtown area and the east approach to the City along Highway 17/Court Street (\$1.4 mil.) since the end of the fiscal year.

The preliminary unemployment rate for the City for September 2005 was 9.0%, which is a decrease from a rate of 11.5% for 2004. This decrease is primarily due to improvements in the national economy.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our Mayor, legislators, citizens, customers, investors, and creditors with a general overview of the City's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to James A. Spice, Comptroller, City of Kankakee, 385 East Oak Street, Kankakee, Illinois 60901.

BASIC FINANCIAL STATEMENTS

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF NET ASSETS
April 30, 2005

	Primary Government		Component Units
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Cash and investments	\$ 13,255,321	\$ 944,855	\$ 14,200,176
Restricted cash and investments		16,362	16,362
Receivables, less allowance for uncollectible amounts:			
Property taxes	9,566,640		9,566,640
Utility taxes	552,372		552,372
Due from other governmental agencies	5,580,702		5,580,702
Due from component units	103,647		103,647
Due from fiduciary funds	1,858		1,858
Internal balances	(95,083)	95,083	
Due from primary government			116,611
Accounts receivable	1,130,393	2,035,064	3,165,457
Other			4,393
Materials and supplies inventory	27,568		27,568
Prepaid items	462,806	31,883	494,689
Other restricted cash and investments		2,219,025	2,219,025
Capital assets:			
Non-depreciable	7,059,657	4,075,312	11,134,969
Depreciable (net of accumulated depreciation)	52,951,851	25,415,677	78,367,528
Unamortized bond issuance cost	872,514	314,367	1,186,881
Investment in joint venture		1,270,885	1,270,885
Total assets	<u>91,470,246</u>	<u>36,418,513</u>	<u>127,888,759</u>
<u>Liabilities</u>			
Accounts payable	5,499,604	158,290	5,657,894
Accrued wages payable	491,047	85,742	576,789
Interest payable	696,756		696,756
Due to primary government			103,647
Due to component units	116,611		116,611
Due to other government agencies		170,862	170,862
Deferred revenue	10,896,788		10,896,788
Long-term liabilities:			
Due within one year	3,204,232	521,000	3,725,232
Due within more than one year	64,017,084	6,807,353	70,824,437
Total liabilities	<u>84,922,122</u>	<u>7,743,247</u>	<u>92,665,369</u>
<u>Net assets</u>			
Invested in capital assets, net of related debt	29,096,617	22,474,636	51,571,253
Restricted for:			
Capital projects	5,934,780		5,934,780
Debt services	1,500,561	2,219,025	3,719,586
Economic development	1,861,269		1,861,269
Street maintenance programs	139,863		139,863
Unrestricted	(31,984,966)	3,981,605	(28,003,361)
Total net assets	<u>\$ 6,548,124</u>	<u>\$28,675,266</u>	<u>\$ 35,223,390</u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF ACTIVITIES
For the year ended April 30, 2005

		Program Revenues		
		Charges for Services	Operating Grants	Capital Grants
	Expenses			
Primary government				
<u>Governmental Activities</u>				
General government	\$ 5,077,821	\$ 1,379,193	\$ 477,078	
Public safety	11,660,927	847,569	38,656	\$ 87,975
Public works	2,129,150	541,321		
Highways and streets	2,601,004		803,750	973,483
Community development	2,650,184	142,000	2,704,142	
Culture and recreation	61,735			
Economic development	686,555			
Interest and fiscal charges	1,951,802			
Total governmental activities	<u>26,819,178</u>	<u>2,910,083</u>	<u>4,023,626</u>	<u>1,061,458</u>
<u>Business-Type Activities</u>				
Sewer utility	9,108,716	8,257,237		
Vehicle parking	975	10,236		
Total business-type activities	<u>9,109,691</u>	<u>8,267,473</u>	<u>-0-</u>	<u>-0-</u>
Total primary government	<u>\$35,928,869</u>	<u>\$11,177,556</u>	<u>\$ 4,023,626</u>	<u>\$ 1,061,458</u>
Component units				
Library	\$ 1,262,305	\$ 23,049	\$ 56,676	
Special Service Area No. 1	203,695			
Total component units	<u>\$ 1,466,000</u>	<u>\$ 23,049</u>	<u>\$ 56,676</u>	<u>\$ -0-</u>

General Revenues:

Property taxes levied for general purposes
Illinois retailers' tax, net
Utility taxes
Other taxes
Intergovernmental, not restricted to specific programs
Investment income
Gain on disposal of property and equipment
Other

Contributions from primary government

Contributions from developers

Total

Transfers

Changes in net assets

Net assets, May 1, 2004

Prior period adjustment

Net assets, May 1, 2004, restated

Net assets, April 30, 2005

Net (Expense) Revenue and Change in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
\$ (3,221,550)		\$ (3,221,550)	
(10,686,727)		(10,686,727)	
(1,587,829)		(1,587,829)	
(823,771)		(823,771)	
195,958		195,958	
(61,735)		(61,735)	
(686,555)		(686,555)	
(1,951,802)		(1,951,802)	
<u>(18,824,011)</u>	<u>\$ -0-</u>	<u>(18,824,011)</u>	<u>\$ -0-</u>
	(851,479)	(851,479)	
	9,261	9,261	
<u>-0-</u>	<u>(842,218)</u>	<u>(842,218)</u>	<u>-0-</u>
<u>(18,824,011)</u>	<u>(842,218)</u>	<u>(19,666,229)</u>	<u>-0-</u>
			(1,182,580)
			(203,695)
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(1,386,275)</u>
8,530,300		8,530,300	1,399,772
5,284,401		5,284,401	
3,314,122		3,314,122	
2,691,593		2,691,593	
50,000		50,000	
160,386	53,744	214,130	7,784
	459	459	
212,604	192,916	405,520	4,399
			116,611
665,896	1,039,396	1,705,292	
<u>20,909,302</u>	<u>1,286,515</u>	<u>22,195,817</u>	<u>1,528,566</u>
<u>205,201</u>	<u>(205,201)</u>	<u>-0-</u>	
<u>2,290,492</u>	<u>239,096</u>	<u>2,529,588</u>	<u>142,291</u>
<u>(46,400,683)</u>	<u>28,436,170</u>	<u>(17,964,513)</u>	<u>3,652,825</u>
<u>50,658,315</u>		<u>50,658,315</u>	
<u>4,257,632</u>	<u>28,436,170</u>	<u>32,693,802</u>	
<u>\$ 6,548,124</u>	<u>\$28,675,266</u>	<u>\$ 35,223,390</u>	<u>\$ 3,795,116</u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
BALANCE SHEET
GOVERNMENTAL FUNDS
April 30, 2005

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and investments	\$ 695,811	\$ 5,852,536	\$ 6,706,974	\$13,255,321
Receivables, less allowance for uncollectible amounts:				
Property taxes	3,612,766		5,953,874	9,566,640
Utility taxes	552,372			552,372
Due from other governmental agencies	5,387,240		193,462	5,580,702
Due from component units	41,512	58,205	3,930	103,647
Due from fiduciary funds	1,858			1,858
Due from other funds	711,522	157,195	371,074	1,239,791
Accounts receivable	778,137		352,256	1,130,393
Materials and supplies inventory	27,568			27,568
Prepaid items	462,806			462,806
Total assets	<u>\$12,271,592</u>	<u>\$ 6,067,936</u>	<u>\$13,581,570</u>	<u>\$31,921,098</u>
Liabilities				
Accounts payable	\$ 5,361,606	\$ 16,545	\$ 121,453	\$ 5,499,604
Accrued wages payable	464,774		26,273	491,047
Interest payable			7,156	7,156
Due to other funds	60,575		1,274,299	1,334,874
Due to component units		116,611		116,611
Deferred revenue	3,807,674		7,441,186	11,248,860
Total liabilities	<u>9,694,629</u>	<u>133,156</u>	<u>8,870,367</u>	<u>18,698,152</u>
Fund Balance				
Reserved for prepaid insurance	462,806			462,806
Reserved for inventories	27,568			27,568
Reserved for debt service			1,500,561	1,500,561
Reserved for unexpended street maintenance programs			139,863	139,863
Reserved for economic development			1,861,269	1,861,269
Reserved for capital projects		5,934,780		5,934,780
Unreserved, reported in				
General Fund	2,086,589			2,086,589
Special Revenue Funds			1,243,111	1,243,111
Debt Service Funds			(33,601)	(33,601)
Total fund balance	<u>2,576,963</u>	<u>5,934,780</u>	<u>4,711,203</u>	<u>13,222,946</u>
Total liabilities and fund balance	<u>\$12,271,592</u>	<u>\$ 6,067,936</u>	<u>\$13,581,570</u>	<u>\$31,921,098</u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
April 30, 2005

Amounts reported for governmental activities on the
statement of net assets are different because of the following:

Total Governmental Fund Balance	\$ 13,222,946
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.	\$60,011,508
Unamortized issuance costs represent deferred charges which do not provide current financial resources and, therefore, not reported in the funds.	872,514
Unamortized premium on bond proceeds represents deferred resources which do not provide current financial resources and, therefore, not reported in the funds.	(701,895)
Long-term liabilities received for governmental activities are not financial charges and, therefore, not reported in the funds.	(66,519,421)
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds: Interest payable	(689,600)
Loans receivable are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	352,072
	<u>(6,674,822)</u>
Net assets of governmental activities	<u><u>\$ 6,548,124</u></u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the year ended April 30, 2005

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 3,355,494		\$ 5,174,806	\$ 8,530,300
Illinois retailers' tax, net	5,284,401			5,284,401
Utility tax	3,314,122			3,314,122
Other taxes	2,691,593			2,691,593
Licenses and permits	1,357,586			1,357,586
Intergovernmental	284,158	\$ 87,975	4,674,295	5,046,428
Charges for services	900,443			900,443
Fines and fees	752,054			752,054
Interest income	64,248		96,139	160,387
Miscellaneous	172,460		117,190	289,650
Total revenues	<u>18,176,559</u>	<u>87,975</u>	<u>10,062,430</u>	<u>28,326,964</u>
Expenditures:				
Current:				
General government	4,523,792	325,085	590,890	5,439,767
Public safety	11,618,774	190,090	73,919	11,882,783
Public works	1,806,998		213,209	2,020,207
Highways and streets		844,029	2,067,006	2,911,035
Community development	31,279		2,574,145	2,605,424
Culture and recreation			61,735	61,735
Economic development	32,017		654,538	686,555
Debt Service:				
Principal retirement	29,856		2,475,914	2,505,770
Interest and fiscal charges	4,512		1,993,097	1,997,609
Total expenditures	<u>18,047,228</u>	<u>1,359,204</u>	<u>10,704,453</u>	<u>30,110,885</u>
Excess (deficiency) of revenues over expenditures	<u>129,331</u>	<u>(1,271,229)</u>	<u>(642,023)</u>	<u>(1,783,921)</u>
Other financing sources (uses):				
Transfers:				
From other funds	655,201	8,236	1,214,604	1,878,041
To other funds	(208,159)		(1,464,680)	(1,672,839)
Proceeds from bonds issuance		6,000,000		6,000,000
Proceeds from premium on bond issuance		79,294	57,525	136,819
Proceeds from debt refunding			3,160,000	3,160,000
Payment to refunded debt escrow agent			(3,136,096)	(3,136,096)
Proceeds from capital lease			18,259	18,259
Proceeds from long-term notes		200,000		200,000
Total other financing sources (uses)	<u>447,042</u>	<u>6,287,530</u>	<u>(150,388)</u>	<u>6,584,184</u>
Net change in fund balance	<u>576,373</u>	<u>5,016,301</u>	<u>(792,411)</u>	<u>4,800,263</u>
Fund balance, May 1, 2004	2,625,358	1,556,391	4,865,702	9,047,451
Prior period adjustment	(624,768)	(637,912)	637,912	(624,768)
Fund balance, May 1, 2004, as restated	<u>2,000,590</u>	<u>918,479</u>	<u>5,503,614</u>	<u>8,422,683</u>
Fund balance, April 30, 2005	<u>\$ 2,576,963</u>	<u>\$ 5,934,780</u>	<u>\$ 4,711,203</u>	<u>\$ 13,222,946</u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
For the year ended April 30, 2005

Amounts reported for governmental activities on the statement of activities are different because of the following:

Net Change in Fund Balance - Total Governmental Funds	\$ 4,800,263
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Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.

Expenditure for capital assets	\$ 2,337,829	
Donated capital assets not reported in government funds	665,896	
Depreciation	<u>(1,114,872)</u>	1,888,853

Repayment of principal is an expenditure and debt refunding is other financing uses in the governmental funds, but is accrued on outstanding debt on the statement of net assets.

Bonds payable	2,190,000	
Payment to refunding debt escrow agent	3,136,096	
Long-term notes payable	230,063	
Capital lease obligations payable	<u>5,707</u>	5,561,866

Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Amortized bond issue cost	(45,568)	
Amortized bond premium	77,895	
Amortized deferred loss	(77,442)	
Change in accrued interest on long-term debts	(36,230)	
Compensated absences payable	(268,800)	
Unfunded pension cost	<u>(304,407)</u>	(654,552)

Bond proceeds and premiums, long-term notes and capital lease proceeds are other financing sources in the governmental funds, but the issuance increases the long-term liabilities on the statement of net assets.

Proceeds from bonds issued	(9,160,000)	
Proceeds from long-term notes	(200,000)	
Proceeds from capital lease	(18,259)	
Proceeds from premium on bonds issued	<u>(136,819)</u>	(9,515,078)

Bond issue costs are expenditures in the governmental funds, but the issuance cost increases the assets on the statement of net assets.

	<u>207,080</u>	207,080
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Advances paid on long-term loans receivable are reported as expenditures in the governmental funds, but increase the assets in the statement of net assets. Collections on these loans are reported as revenues in the governmental funds, but reduce the assets in the statement of net assets.

Advances of new loans	23,706	
Collections on loans receivable	<u>(21,646)</u>	2,060

Change in net assets of governmental activities	\$ 2,290,492	
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See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
April 30, 2005

	Business-type Activities Enterprise Funds		
	Major Kankakee Municipal Utility	Nonmajor Motor Vehicle Parking	Total
Assets:			
Current assets:			
Cash and investments	\$ 908,207	\$ 36,648	\$ 944,855
Restricted cash and investments	16,362		16,362
Receivables, less allowance for uncollectible amounts:			
Due from other funds	120,243		120,243
Accounts receivable	2,034,924	140	2,035,064
Prepaid items	31,883		31,883
Total current assets	<u>3,111,619</u>	<u>36,788</u>	<u>3,148,407</u>
Non-current assets:			
Other restricted cash and investments	2,219,025		2,219,025
Capital assets:			
Non-depreciable	2,631,504	1,443,808	4,075,312
Depreciable (net of accumulated depreciation)	25,415,677		25,415,677
Unamortized bond issuance cost	314,367		314,367
Investment in joint venture	1,270,885		1,270,885
Total non-current assets	<u>31,851,458</u>	<u>1,443,808</u>	<u>33,295,266</u>
Total assets	<u>34,963,077</u>	<u>1,480,596</u>	<u>36,443,673</u>
Liabilities:			
Current liabilities:			
Accounts payable	158,290		158,290
Accrued wages payable	85,742		85,742
Accrued employee absences	31,000		31,000
Due to other government agencies	170,862		170,862
Due to other funds	25,160		25,160
Revenue bonds payable within one year	490,000		490,000
Total current liabilities	<u>961,054</u>	<u>-0-</u>	<u>961,054</u>
Non-current liabilities:			
Accrued employee absences	281,000		281,000
Revenue bonds payable, less portion due within one year	6,526,353		6,526,353
Total non-current liabilities	<u>6,807,353</u>	<u>-0-</u>	<u>6,807,353</u>
Total liabilities	<u>7,768,407</u>	<u>-0-</u>	<u>7,768,407</u>
Net assets:			
Invested in capital assets, net of related debt	21,030,828	1,443,808	22,474,636
Restricted for debt service	2,219,025		2,219,025
Unrestricted	3,944,817	36,788	3,981,605
Total net assets	<u>\$27,194,670</u>	<u>\$ 1,480,596</u>	<u>\$28,675,266</u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the year ended April 30, 2005

	Business-type Activities Enterprise Funds		
	Major	Nonmajor	
	Kankakee Municipal Utility	Motor Vehicle Parking	Total
Operating revenues:			
Charges for services			
Sewer charges	\$ 6,632,933		\$ 6,632,933
Solid waste charges	1,395,046		1,395,046
Hydroelectric revenues	229,258		229,258
Parking revenues		\$ 10,236	10,236
Total operating revenues	<u>8,257,237</u>	<u>10,236</u>	<u>8,267,473</u>
Operating expenses:			
Sewer field operations:			
Administration	1,520,730		1,520,730
Sanitary sewers	501,244		501,244
Remote stations	223,283		223,283
Lab and industrial services	356,001		356,001
Technical services	388,316		388,316
Total sewer field operations	<u>2,989,574</u>		<u>2,989,574</u>
Hydroelectric and building maintenance	606,900		606,900
Sewer charges	2,441,667		2,441,667
Sewer improvement project	34,947		34,947
Solid waste	1,515,749		1,515,749
Parking administration		975	975
Depreciation	875,845		875,845
Total operating expenses	<u>8,464,682</u>	<u>975</u>	<u>8,465,657</u>
Operating income (loss)	<u>(207,445)</u>	<u>9,261</u>	<u>(198,184)</u>
Nonoperating revenues (expenses)			
Equity interest in joint venture operating income	23,812		23,812
Gain on disposal of property and equipment	459		459
Interest income	53,591	153	53,744
Interest expense	(644,034)		(644,034)
Contributions from developers	1,039,396		1,039,396
Other income	169,104		169,104
Total nonoperating revenues (expenses)	<u>642,328</u>	<u>153</u>	<u>642,481</u>
Income before transfers	434,883	9,414	444,297
Transfers in (out)	<u>(205,201)</u>		<u>(205,201)</u>
Change in net assets	229,682	9,414	239,096
Net assets, May 1, 2004	26,964,988	1,471,182	28,436,170
Net assets, April 30, 2005	<u>\$27,194,670</u>	<u>\$ 1,480,596</u>	<u>\$28,675,266</u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended April 30, 2005

	Business-type Activities Enterprise Funds		
	Major	Nonmajor	
	Kankakee Municipal Utility	Motor Vehicle Parking	Total
Cash flows provided (used) by operating activities:			
Receipts from customers and users	\$ 8,680,568	\$ 10,246	\$ 8,690,814
Receipts from (payments to) interfund	47,630		47,630
Other receipts	169,563		169,563
Payments to suppliers	(5,856,026)	(975)	(5,857,001)
Payments to employees	(1,352,495)		(1,352,495)
Net cash provided (used) by operating activities	<u>1,689,240</u>	<u>9,271</u>	<u>1,698,511</u>
Cash flows provided (used) by noncapital financing activities:			
Transfers	<u>(205,201)</u>		<u>(205,201)</u>
Cash flows provided (used) by capital and related financing activities:			
Purchase of property and equipment	(714,406)		(714,406)
Additions to construction in progress	(1,765,546)		(1,765,546)
Proceeds from developer	350,306		350,306
Repayment of revenue bonds	(470,000)		(470,000)
Interest paid on revenue bonds	(435,823)		(435,823)
Net cash provided (used) by capital and related financing activities	<u>(3,035,469)</u>	<u>0</u>	<u>(3,035,469)</u>
Cash flows provided (used) by investing activities:			
Investment in KRMA	(148,456)		(148,456)
Interest received	53,591	153	53,744
Net cash provided (used) by investing activities	<u>(94,865)</u>	<u>153</u>	<u>(94,712)</u>
Net increase (decrease) in cash and cash equivalents	(1,646,295)	9,424	(1,636,871)
Cash and cash equivalents, May 1, 2004	4,789,889	27,224	4,817,113
Cash and cash equivalents, April 30, 2005	<u>\$3,143,594</u>	<u>\$ 36,648</u>	<u>\$3,180,242</u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended April 30, 2005

	Business-type Activities Enterprise Funds		
	Major	Nonmajor	
	Kankakee Municipal Utility	Motor Vehicle Parking	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (207,445)	\$ 9,261	\$ (198,184)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	875,845		875,845
Provision for bad debts	(34,250)		(34,250)
Other income	169,563		169,563
(Increase) decrease in operating assets:			
Accounts receivable	457,581	10	457,591
Accounts receivable-Kankakee River Metropolitan Agency	143,689		143,689
Prepaid insurance and service fees	(20)		(20)
Due from other City funds	22,470		22,470
Increase (decrease) in operating liabilities:			
Accounts payable	34,652		34,652
Accrued compensated absences	38,000		38,000
Accrued payroll	(6,867)		(6,867)
Due to Kankakee River Metropolitan Agency	170,862		170,862
Due to other City funds	25,160		25,160
Net cash provided (used) by operating activities	<u>\$ 1,689,240</u>	<u>\$ 9,271</u>	<u>\$ 1,698,511</u>
Schedule of noncash capital and related financing activities:			
Amortization of bond issuance costs	<u>\$ 20,688</u>	<u>\$ -0-</u>	<u>\$ 20,688</u>
Amortization of early debt retirement deferred loss	<u>\$ 187,524</u>	<u>\$ -0-</u>	<u>\$ 187,524</u>
Construction projects capitalized	<u>\$ 527,584</u>	<u>\$ -0-</u>	<u>\$ 527,584</u>
Items capitalized from developer contribution	<u>\$ 689,090</u>	<u>\$ -0-</u>	<u>\$ 689,090</u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
April 30, 2005

Assets:

Cash and short-term investments	\$ 1,218,503
Receivables, less allowance for uncollectible amounts:	
Employee contributions	26,350
Interest	80,717
Investments, at fair value:	
Open-end mutual funds	2,144,263
Certificates of deposits	246,749
Corporate securities	6,589,188
U.S. treasury and agency securities	9,085,194
Corporate bonds	88,752

Total assets	<u>19,479,716</u>
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Liabilities:

Accounts payable	269,906
Due to general fund	1,858

Total liabilities	<u>271,764</u>
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Net assets held in trust for pension benefits ⁽¹⁾	<u><u>\$19,207,952</u></u>
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(1) A schedule of funding progress is presented in the Required Supplementary Information section of this report.

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
For the year ended April 30, 2005

Additions:

Contributions:

Employer	\$ 2,045,185
Employee	635,320
Total contributions	<u>2,680,505</u>

Investment income:

Net appreciation in fair value of investments	144,689
Interest and dividends	<u>554,227</u>
	698,916

Less: investment expense	<u>(131,707)</u>
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Net investment income	567,209
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Total additions	<u>3,247,714</u>
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Deductions:

Benefits	3,179,617
Refunds of contributions	22,624
Administrative expenses	67,380
Total deductions	<u>3,269,621</u>

Net increase (decrease)	(21,907)
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Net assets held in trust for pension benefits:

May 1, 2004	19,229,859
April 30, 2005	<u><u>\$ 19,207,952</u></u>

See accompanying notes.

CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
April 30, 2005

	Library Fund	Special Service Area No. 1	Totals
Assets:			
Cash and investments	\$ 210,174	\$ 360,674	\$ 570,848
Receivables, less allowance for uncollectible amounts:			
Property taxes	1,189,860	109,700	1,299,560
Due from primary government		116,611	116,611
Other		4,393	4,393
Capital assets:			
Depreciable (net of accumulated depreciation)	5,877,792		5,877,792
Total assets	<u>7,277,826</u>	<u>591,378</u>	<u>7,869,204</u>
Liabilities:			
Accounts payable	12,990		12,990
Interest payable		2,000	2,000
Due to primary government	103,647		103,647
Deferred revenue	1,189,860	109,700	1,299,560
Long-term liabilities:			
Due within one year	52,375	85,000	137,375
Due within more than one year	2,428,516	90,000	2,518,516
Total liabilities	<u>3,787,388</u>	<u>286,700</u>	<u>4,074,088</u>
Net assets:			
Invested in capital assets, net of related debt	3,396,901		3,396,901
Unrestricted	93,537	304,678	398,215
Total net assets	<u>\$3,490,438</u>	<u>\$ 304,678</u>	<u>\$3,795,116</u>

See accompanying notes.

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CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the year ended April 30, 2005

		<u>Program Revenues</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants</u>
Library Fund:			
Culture and recreation	\$1,136,774	\$ 23,049	\$ 56,676
Interest and fiscal charges	125,531		
Special Service Area No. 1:			
General government	196,105		
Interest and fiscal charges	7,590		
Total component units	<u>\$1,466,000</u>	<u>\$ 23,049</u>	<u>\$ 56,676</u>

General Revenues:

Property taxes levied for general purposes

Interest

Other

Contributions from primary government

Total

Changes in net assets

Net assets, May 1, 2004

Net assets, April 30, 2005

Net (Expense) Revenue and Change in Net Assets		
Library Fund	Special Service Area No. 1	Total
\$(1,057,049)		\$(1,057,049)
(125,531)		(125,531)
	\$(196,105)	(196,105)
	(7,590)	(7,590)
<u>(1,182,580)</u>	<u>(203,695)</u>	<u>(1,386,275)</u>
1,282,830	116,942	1,399,772
4,242	3,542	7,784
3,989	410	4,399
	116,611	116,611
<u>1,291,061</u>	<u>237,505</u>	<u>1,528,566</u>
108,481	33,810	142,291
3,381,957	270,868	3,652,825
<u>\$ 3,490,438</u>	<u>\$ 304,678</u>	<u>\$ 3,795,116</u>

See accompanying notes.

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CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City of Kankakee, Illinois (City), is a home rule unit under the 1970 Constitution of Illinois, Article VII. The City was incorporated in 1865 and operates under an elected Mayor/Council form of government. The City's major operations include public safety (police, fire, code enforcement and animal control), public works, highways and streets, community development, culture and recreation, economic development, sewer and solid waste utility, and general administrative services. The following significant accounting policies apply to the City and its component units.

The City adopted the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, during the fiscal year ended April 30, 2004. Accordingly, the City implemented the general provisions of the Statement in the prior fiscal year and has elected to retroactively report infrastructure assets acquired prior to April 30, 2003 in the current fiscal year.

A. Reporting Entity

The City follows accounting principles generally accepted in the United States of America established by the Governmental Accounting Standards Board. The financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

1. Appointment of a voting majority of the component unit's board, and either (a) the ability to impose will by the primary government, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
2. Fiscal dependency on the primary government.

The accompanying financial statements present the City of Kankakee, Illinois (the primary government) and its component units. The financial data of the component units is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Unit - A blended component unit is a legally separate entity from the City, but is so intertwined with the City that it is, in substance, the same as the City. For financial reporting purposes, the following component units are reported as if they were part of the City's operations.

1. The Kankakee Municipal Utility is governed by a board which is comprised mainly of City Council members. As stated in the Kankakee Municipal Utility bylaws, one City Council member from each ward is required to serve on the Kankakee Municipal Utility Board. The Utility accounts for the operation of the sewer and solid waste systems which benefit the citizens of the City.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

2. The Community Development Agency is governed by the City Council. Its major sources of revenue are intergovernmental grants that are used to benefit the citizens of the City.

Discretely Presented Component Unit - A discretely presented component unit is an entity that is legally separate from the City, but for which the City is financially accountable, or whose relationship with the City is such that exclusion would cause the City's basic financial statements to be misleading or incomplete. The following discretely presented component units are reported in a separate column to emphasize that they are legally separate from the City.

1. The Kankakee Public Library is governed by a board appointed by the City Council. The majority of the Library's revenues are from a property tax levy approved by the Council. The City has also assumed the obligation to finance the Library's deficits.
2. The Special Service Area No. 1 promotes and develops downtown Kankakee. Its major source of revenues is from a property tax levy approved by the City Council.

Separately audited financial statements for the component units are not available. Combining financial statements for the discretely presented component units are presented after the basic financial statements and prior to the notes to the financial statements.

B. Basis of Presentation

Government-wide Financial Statements - The government-wide statement of net assets and statement of activities report the overall financial activities of the City and its component units, excluding fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities of the City. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. Additionally, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect expenses for centralized functions are included in the direct expenses. Program revenues include 1) fines, fees, and charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Fund Financial Statements - The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary and fiduciary are presented. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

General Fund - This fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund - This fund accounts for the resources used for capital acquisition and other major capital improvement projects including streets, sidewalks and community development projects.

The City reports the following major proprietary fund:

Kankakee Municipal Utility Fund- This fund accounts for the City's sewer and solid waste operations and the production, transmission and delivery of electrical power.

Additionally, the City reports the following fiduciary fund type:

Pension Trust Funds - These funds account for the accumulation of retirement and disability benefits for police and firemen's pension plans.

C. Measurement Focus and Basis of Accounting:

Government-wide, Proprietary and Fiduciary Fund Financial Statements - The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the City receives value without directly giving equal value in exchange, include property tax revenue, grants, and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance, which is the year after the taxes are levied. For example, the 2003 levy is recognized as revenue for the year ended April 30, 2005. Revenue from grants and other contributions is recognized in the fiscal year in which all eligibility requirements imposed by the provider have been met. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services which include sewer and solid waste charges, utility fees and parking fees. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Pension trust funds recognize employer and participant contributions in the period in which contributions are due and the City has made a formal commitment to provide the contributions. Retirement benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Governmental Fund Financial Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues, except for property taxes, to be available if they are collected within 90 days of the end of the current fiscal period. Revenues for property taxes are considered to be available if they are collected within 60 days of the end of the current fiscal year for the year intended to finance. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on general long-term debt, compensated absences and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, income taxes, utility taxes, intergovernmental revenues, franchise taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

Licenses and permits, fines and forfeitures, charges for sales and services (other than utility) and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The City reports deferred revenue on its financial statements. Deferred revenues arise when a potential revenue does not meet both the measurable and available or earned criteria for recognition in the current period. Deferred revenues also arise when the resources are received by the City before it has a legal claim to them or prior to the provision of services. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the financial statements and revenue is recognized.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received they are recorded as deferred revenues until earned.

D. Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Insurance contracts are valued at contract value. The value of open-end mutual funds are determined by the pool's share price. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Managed funds related to the retirement systems not listed on an established market are reported at estimated fair value as determined by the respective fund managers based on quoted sales prices of the underlying securities. Cash deposits are reported at carrying amount which reasonably estimates fair value. All external investment pools are reported at fair value based on the fair value per share of the pool's underlying portfolio. The City's Police and Fire Pension funds, under the direction of their respective Boards of Trustees, contractually delegate investment oversight to investment managers. The City invests in the Illinois Funds, an external investment pool administered by the State of Illinois, Office of the State Treasurer. The City also invests in the Treasury Management Investment Fund which is offered by a trustee bank and overseen by an investment management company.

E. Interfund Transactions

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" for the current portion of interfund loans or "advances to/from other funds" for the non-current portion of interfund loans. All other outstanding balances between funds are reported as "due to/from other funds." Interfund balances between governmental funds and between proprietary funds are not included in the government-wide statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not expendable available financial resources.

The City has the following types of interfund transactions:

Loans - Amounts provided with a requirement for repayment. Interfund loans are reported as interfund receivables (i.e. due from other funds) in lender funds and interfund payables (i.e. due to other funds) in borrower funds in the fund balance sheets or fund statements of net assets.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Services Provided and Used - Sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts are reported as interfund receivables and payables in the fund balance sheets or fund statements of net assets.

Reimbursements - Repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are reported as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund.

Transfers - Flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

F. Inventory and Prepaid Items

Inventory, such as fuel and office supplies, is accounted for using the consumption method and is valued at an average weighted cost. Inventory reported in the governmental funds is not available for appropriation and therefore, results in a reservation of fund balance.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

G. Restricted Assets - Enterprise Funds

Certain cash and investments in the Kankakee Municipal Utility Fund are restricted in accordance with the ordinances authorizing the issuance of the revenue bonds. These assets are reflected as restricted cash and investments and reservation of net assets.

H. Long-Term Debt, Bond Premiums, Discounts and Issuance Costs

In the government-wide, proprietary and component unit financial statements, outstanding debts are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. The amount of bond issue costs amortized during the year ended April 30, 2005, for the governmental and business-type activities was \$45,568 and \$20,688, respectively. The unamortized balance at April 30, 2005, for the governmental and business-type activities was \$872,514 and \$314,367, respectively.

In the fund financial statements, government fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

I. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (roads, bridges, underground pipe, traffic signals, etc.) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

Minimum capitalization costs are as follows:

Land	\$ 25,000
Machinery, equipment and vehicles	5,000
Buildings, land improvements, leasehold improvements	100,000
Infrastructure assets	250,000

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized, whereas improvements extending the useful lives of the related capital assets are capitalized.

Capital assets of the City and its component units are depreciated using the straight-line method over the following useful lives:

	<u>Years</u>
Buildings, major plant and sewerage equipment	20 - 75
Machinery, equipment and vehicles	5 - 20
Improvements	7 - 40
Infrastructure	25 - 100

During fiscal year 2005, the City changed the estimated depreciable lives of its buildings in the governmental activities to reflect more closely their useful lives. The effect of this change was to increase the change in net assets of the City's governmental activities and its component units by \$25,576 and \$241,958, respectively, for the year ended April 30, 2005.

J. Net Assets

In the government-wide and proprietary fund financial statements, equity is displayed in three components as follows:

Invested in Capital Assets, Net of Related Debt - This consists of capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Restricted - This consists of net assets that are legally restricted by outside parties or by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, generally it is the City's policy to use restricted resources first, then unrestricted resources when they are needed.

Unrestricted - This consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

K. Accumulated Unpaid Vacation, Sick-pay and Other Employee Benefit Amounts

City employees are entitled to certain compensated absences based on their length of employment. With minor exceptions, compensated absences either vest or accumulate and are accrued when they are earned.

The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

L. Encumbrances

Encumbrance accounting is used for the General Fund, special revenue funds, and capital projects funds. Encumbrances are recorded when purchase orders are issued but are not considered expenditures until liabilities for payments are incurred. Encumbrances are reported as a reservation of fund balance on the balance sheet. Encumbrances do not lapse at the close of the fiscal year but are carried forward as reserved fund balance until liquidated.

M. Cash Flow Information

The Cash Flows Statement provides information about changes in cash and cash equivalents, including cash in excess of daily requirements that is invested in marketable securities, substantially all of which have a maturity of three months or less when acquired.

N. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

O. Fund Equity - Fund Financial Statements

The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds, represent the amount that has been legally identified for specific purposes. Reserved fund balances in pension trust funds represent the net assets held in trust that are required to be reserved for the employees' pension benefits.

P. Investment in Joint Venture

The Kankakee Municipal Utility has an investment in a joint venture which is reported on the equity method of accounting.

NOTE 2 - DEPOSITS (CASH) AND INVESTMENTS:

Investing is performed in accordance with investment policies complying with state statutes (as outlined in the Illinois Public Funds Act of 1943) and City charter. These statutes and the City charter authorize the City to invest in direct and general obligations of the United States of America, obligations issued or guaranteed by instrumentalities or agencies of the United States of America, direct and general obligations of any state, interest-bearing demand or time deposits or interest in money market portfolios issued by state banks or trust companies or national banking associations or savings and loan associations that are continuously and fully insured, shares of a diversified open-end management investment company, state pooled investment funds, or repurchase agreements of government securities through banks or trust companies. Police and Fire pension investments are governed by the Illinois Pension Code which authorize, in addition to the above investments, investments in common stock, mutual funds and life insurance company contracts.

Deposits (Cash)

The City maintains a cash and investment pool that is available for use by the General Fund, Capital Projects Fund, and all special revenue funds (except the Motor Fuel Tax Fund, the Community Development Agency, the Senior Aides Program and the Tax Increment Financing Districts). In addition, non-pooled cash and investments are separately held by several of the City's funds including component units. The deposits and investments of the pension trust funds are held separately from those of the other City funds.

Deposits are carried at cost which approximates market value. At April 30, 2005, the carrying amount of the primary government's deposits was \$2,382,239 and the bank balance was \$2,829,354. Of the bank balance, \$816,040 was covered by general depository insurance, \$1,259,587 was covered by collateral held by the City's agent in the City's name and \$753,727 was not insured or covered by collateral.

At April 30, 2005, the carrying amount of the component units' deposits was \$391,920 and the bank balance was \$393,625. Of the bank balance, \$210,363 was covered by general depository insurance and \$183,262 was not insured or covered by collateral.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS (CASH) AND INVESTMENTS (Continued):

Investments

Investments made by the City are summarized by fund types below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

Category 1 - Investments that are insured or registered, or for which the securities are held by the City or its agent in the City's name.

Category 2 - Uninsured and unregistered investments for which the securities are held by the counter-party's trust department or agent in the City's name.

Category 3 - Uninsured and unregistered investments for which the securities are held by the counter-party, or by its trust department or agent, but not in the City's name.

	<u>Category</u>			<u>Carrying Amounts</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>/Fair Value</u>
Primary Government:				
Illinois Funds				\$ 7,846,948
Money market investments	\$ 1,139,380			1,139,380
U.S. Treasury and federal agency obligations	10,955,678			10,955,678
Common stocks			\$6,589,188	6,589,188
Illinois Metropolitan Investment Fund (IMET)				279,764
Treasury Management Investment Fund				4,382,000
Open-end mutual funds				2,144,263
Corporate bonds				88,752
Total investments	<u>\$12,095,058</u>	<u>\$-0-</u>	<u>\$6,589,188</u>	<u>\$33,425,973</u>
Component Units:				
Treasury Management Investment Fund				\$178,000
Illinois Funds				928
Total investments	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$178,928</u>

**CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS:

Illinois Municipal Retirement Fund:

Plan Description

The City contributes to the Illinois Municipal Retirement Fund (IMRF), which provides retirement, disability, annual cost of living adjustments and death benefits to plan members and beneficiaries. IMRF is an agent-multiple-employer public employee retirement system that acts as a common investment and administrative agent for local governments and school districts in Illinois. The IMRF covers all City employees who occupy a job normally requiring 600 hours or more per year, are paid on a regular payroll from City funds, were under age 60 when first entering employment and are not covered by another state-created retirement system for the same service. Employees not qualifying above are considered "Nonparticipating employees" and are covered under Social Security or under the police pension or firemen's pension plans. The Illinois Pension Code establishes the benefit provisions of the plan that can only be amended by the Illinois General Assembly. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at www.imrf.org/pubs/pubs_homepage.htm or by writing to the Illinois Municipal Retirement Fund, 2211 York Road, Suite 500, Oak Brook, Illinois 60523. Information on significant investments is not available.

Funding Policy

Employees participating in IMRF are required to contribute 4.5 percent of their annual covered salary. The member rate is established by state statute. The City is required to contribute at an actuarially determined rate. The employer rate for calendar year 2004 was 4.98 percent of payroll. The employer contribution requirements are established and may be amended by the IMRF Board of Trustees. IMRF's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis (overfunded liability amortized on open basis). The amortization period at December 31, 2004 was 10 years.

For December 31, 2004, the City's annual pension cost of \$252,716 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.5 percent investment rate of return (net of administrative expenses), (b) projected salary increases of 4.0 percent a year, attributable to inflation, (c) additional projected salary increases ranging from .4 percent to 11.6 percent per year depending on age and services, attributable to seniority/merit, and (d) post-retirement benefit increases of 3 percent annually. The actuarial value of IMRF assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period with a 15 percent corridor. The assumptions used for the 2004 actuarial valuation were based on the 1999-2001 Experience Study.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):

Trend Information

<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
December 31, 2004	\$252,716	100%	\$-0-
December 31, 2003	50,461	100	-0-
December 31, 2002	54,096	100	-0-
December 31, 2001	55,491	100	-0-
December 31, 2000	155,983	100	-0-
December 31, 1999	369,369	100	-0-
December 31, 1998	390,811	100	-0-
December 31, 1997	428,146	100	-0-
December 31, 1996	405,877	100	-0-
December 31, 1995	389,115	100	-0-

A schedule of funding progress may be found in the required supplementary information immediately following the notes to the financial statements.

Police Pension and Firemen's Pension Funds:

A. Plan descriptions

The City contributes to two single-employer defined benefit pension plans: The Police Pension Plan and the Firemen's Pension Plan (Plans). Each plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and beneficiaries. Sworn Police and Fire personnel are covered by the Plans. Although these are single-employer pension plans, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes and may be amended only by the Illinois legislature. The City accounts for the Plans as Pension Trust Funds. The City does not, however, separately issue financial reports for the Plans.

The financial statements of the Plans are prepared using the accrual basis of accounting. Employee contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. All plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price. Securities without an established market are reported at estimated fair value.

The City funds its contribution to the Plans through an annual tax levy. The levy amount is actuarially determined as the annual contribution necessary to fund the normal cost, plus the amount to amortize the unfunded accrued liability. Effective July 1, 1993, the City has until the year 2033 to fully fund the past services costs for the Plans.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):

Police Pension Plan

Covered employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of 2.5 percent of final salary for each year of service up to 30 years, to a maximum of 75 percent of such salary.

Employees with at least 8 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit of 2.5 percent of final salary for each year of service.

Surviving spouses receive 100 percent of final salary for fatalities resulting from an act of duty, or otherwise the greater of 50 percent of final salary or the employee's retirement benefit.

Employees disabled in the line of duty receive 65 percent of final salary.

The monthly pension of a covered employee who retired with 20 or more years of service after January 1, 1977, shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years by 3 percent of the originally granted pension. Beginning with increases granted on or after July 1, 1993, the second and subsequent automatic annual increases shall be calculated as 3 percent of the amount of the pension payable at the time of the increase.

Employees are required by ILCS to contribute 9.91 percent of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest.

Firemen's Pension Plan

Covered employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the monthly salary attached to the rank held in the fire service at the date of retirement. The monthly pension shall be increased by one-twelfth of 2.5 percent of such monthly salary for each additional month of service over 20 years up to 30 years, to a maximum of 75 percent of such monthly salary.

Employees with at least 10 years, but less than 20 years of credited service, may retire at or after age 60 and receive a reduced retirement benefit ranging from 15 percent of final salary for 10 years of service to 45.6 percent for 19 years of service.

Surviving spouses receive 100 percent of final salary for fatalities resulting from an act of duty, or otherwise 54 percent of final salary. Surviving children receive 12 percent of final salary. The maximum family survivor benefit is 75 percent of final salary.

Employees disabled in the line of duty receive 65 percent of final salary.

The monthly pension of a covered employee who retired with 20 or more years of service after January 1, 1977, shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55, by 3 percent of the amount of the pension payable at the time of the increase.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):

Covered employees are required by ILCS to contribute 8.455 percent of their base salary to the Firemen's Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest.

B. Significant Investments

There are no significant investments (other than U.S. Government guaranteed obligations or a mutual fund) in any one organization that represent 5 percent or more of plan net assets for either the Police or the Firemen's Pension Plans.

C. Annual Pension Costs

Actuarial valuations are performed annually. Unless otherwise indicated, information on Police and Firemen's pension in this note is provided as of the latest actuarial valuation, April 30, 2004. There are no material current year changes to the actuarial assumptions and benefit provisions.

Membership of the plans is as follows:

	<u>Police Pension</u>	<u>Firemen's Pension</u>
Retirees and beneficiaries receiving benefits	50	68
Terminated plan members entitled to but not yet receiving benefits	-0-	-0-
Active vested plan members	40	23
Active nonvested plan members	<u>31</u>	<u>26</u>
Total	<u>121</u>	<u>117</u>

Employer contributions have been determined as follows:

	<u>Police Pension</u>	<u>Firemen's Pension</u>
Employer contribution rate	25.80% of covered payroll	44.66% of covered payroll
Actuarial cost method	Entry-age normal	Entry-age normal
Asset valuation method	Market	Market
Amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period	29 years	29 years

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):

	<u>Police Pension</u>	<u>Firemen's Pension</u>
Significant actuarial assumptions:		
(a) Investment rate of return*	8.5% Compounded annually	8.5% Compounded annually
(b) Projected salary increases*	5% Compounded annually	5% Compounded annually
(c) Cost of living adjustments	3% per year	3% per year
* Includes inflation at	3%	3%

Employer annual pension costs (APC), actual contributions and the net pension obligation (NPO) are as follows. The NPO is the cumulative difference between the Annual Required Contribution (ARC) and the contributions actually made.

	<u>Year Ending April 30,</u>	<u>Police Pension</u>	<u>Firemen's Pension</u>
Annual pension costs (APC)	2002	\$ 827,573	\$1,051,989
	2003	983,074	1,162,451
	2004	1,080,777	1,261,558
Actual contribution	2002	\$ 701,806	\$ 887,458
	2003	856,688	1,052,809
	2004	953,821	1,084,107
Percentage of APC contributed	2002	84.8%	84.4%
	2003	87.1%	90.6%
	2004	88.3%	85.9%
NPO	2002	\$3,857,409	\$5,424,434
	2003	3,983,795	5,534,076
	2004	4,110,751	5,711,527

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):

The NPO at April 30, 2004 has been calculated as follows:

	<u>Police Pension</u>	<u>Firemen's Pension</u>
Annual required contribution	\$ 954,259	\$1,085,807
Interest on net pension obligation	338,623	470,396
Adjustment to annual required contribution	<u>(212,105)</u>	<u>(294,645)</u>
Annual pension cost	1,080,777	1,261,558
Contributions made	<u>953,821</u>	<u>1,084,107</u>
Increase in net pension obligation	126,956	177,451
Net pension obligation, beginning of year	<u>3,983,795</u>	<u>5,534,076</u>
Net pension obligation, end of year	<u>\$4,110,751</u>	<u>\$5,711,527</u>

The following is a combining statement of plan net assets as of April 30, 2005:

	<u>Police Pension Fund</u>	<u>Firemen's Pension Fund</u>	<u>Totals</u>
Assets:			
Cash and short-term investments	\$ 573,733	\$ 644,770	\$ 1,218,503
Receivables, less allowance for uncollectible amounts:			
Employee contributions	15,898	10,452	26,350
Interest	30,530	50,187	80,717
Investments, at fair value:			
Open-end mutual funds	1,073,366	1,070,897	2,144,263
Certificates of deposits		246,749	246,749
Corporate securities	3,574,092	3,015,096	6,589,188
U.S. treasury and agency securities	4,995,536	4,089,658	9,085,194
Corporate bonds	<u> </u>	<u>88,752</u>	<u>88,752</u>
Total assets	<u>10,263,155</u>	<u>9,216,561</u>	<u>19,479,716</u>
Accounts payable	118,957	150,949	269,906
Due to General Fund	<u>900</u>	<u>958</u>	<u>1,858</u>
Total liabilities	<u>119,857</u>	<u>151,907</u>	<u>271,764</u>
Net assets held in trust for pension benefits	<u>\$10,143,298</u>	<u>\$9,064,654</u>	<u>\$19,207,952</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (Continued):

The following is a combining statement of changes in plan net assets for the year ended April 30, 2005:

	<u>Police Pension Fund</u>	<u>Firemen's Pension Fund</u>	<u>Totals</u>
Additions:			
Contributions:			
Employer	\$ 954,259	\$1,090,926	\$ 2,045,185
Employee	<u>379,233</u>	<u>256,087</u>	<u>635,320</u>
Total contributions	<u>1,333,492</u>	<u>1,347,013</u>	<u>2,680,505</u>
Investment income:			
Net appreciation (depreciation) in fair value of investments	155,301	(10,612)	144,689
Interest and dividends	<u>262,999</u>	<u>291,228</u>	<u>554,227</u>
	418,300	280,616	698,916
Less: investment expenses	<u>(70,525)</u>	<u>(61,182)</u>	<u>(131,707)</u>
Net investment income	<u>347,775</u>	<u>219,434</u>	<u>567,209</u>
Total additions	<u>1,681,267</u>	<u>1,566,447</u>	<u>3,247,714</u>
Deductions:			
Benefits	1,395,306	1,784,311	3,179,617
Refunds of contributions	6,887	15,737	22,624
Administrative expenses	<u>20,583</u>	<u>46,797</u>	<u>67,380</u>
Total deductions	<u>1,422,776</u>	<u>1,846,845</u>	<u>3,269,621</u>
Net increase (decrease)	258,491	(280,398)	(21,907)
Net assets held in trust for pension benefits:			
May 1, 2004	<u>9,884,807</u>	<u>9,345,052</u>	<u>19,229,859</u>
April 30, 2005	<u>\$10,143,298</u>	<u>\$9,064,654</u>	<u>\$19,207,952</u>

A schedule of funding progress and a schedule of employer contributions may be found in the required supplementary information immediately following the notes to the financial statements.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - RESERVED FUND BALANCES:

General Fund

Reserve for Prepaid Insurance

The City is insured through the Illinois Public Risk Fund. The period of coverage is from December 15, 2004, through December 15, 2005. The portion of insurance prepaid is shown as a reserved fund balance. At April 30, 2005, the fund balance was reserved for

\$462,806

The City of Kankakee maintains an inventory of gasoline and supplies. The value of the inventory is shown as a reserved fund balance. At April 30, 2005, the fund balance was reserved for

27,568

Total General Fund Reserves \$490,374

Capital Projects Fund

Reserve for Capital Projects

The City has reserved the unexpended portion of Series 2005 Bonds issued in February 2005 for capital projects in the amount of

\$5,934,780

Nonmajor Governmental Funds:

Motor Fuel Tax Fund

Reserve for Unexpended Program Amounts

The City has reserved the unexpended amounts for the 2004 and 2005 street maintenance programs for a total of

\$139,863

Tax Increment Financing District No. 8:

Reserve for Economic Development

The City has reserved the unexpended portion of Series 2003 Bonds issued in October 2003 for future economic development activities of the District in the amount of

\$1,861,269

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - RESERVED FUND BALANCES (Continued):

Debt Service Funds:

Reserve for Debt Service

The City of Kankakee has a reserve of fund balance for the retirement of General Obligation Bonds. At April 30, 2005, the fund balance was reserved for \$1,500,561

Fiduciary Funds:

Firemen's and Police Pension Funds:

Reserve for Employees' Pension Benefits

The City of Kankakee has reserved the net assets held in trust for the benefit of all active members and pensioners of the Firemen's and Police Pension Funds. At April 30, 2005, the fund balance was reserved as follows:

Firemen's Pension Fund	\$ 9,064,654
Police Pension Fund	<u>10,143,298</u>
	<u>\$19,207,952</u>

NOTE 5 - CAPITAL ASSETS:

The beginning balances of the capital assets reported in the governmental activities of the primary government, were restated by \$50,933,074 to capitalize additional assets identified by the City's infrastructure valuation study and record accumulated depreciation in accordance with the adoption of the retroactive reporting provisions of GASB Statement No. 34 at May 1, 2004.

A summary of changes in capital assets of the City and its component units for the year ended April 30, 2005 is as follows:

	Balance May 1, 2004 <u>(Restated)</u>	<u>Additions</u>	<u>Deletions</u>	Balance April 30, 2005 <u></u>
Primary government:				
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 4,073,361	\$ 52,617		\$ 4,125,978
Construction in progress	<u>741,803</u>	<u>2,191,876</u>		<u>2,933,679</u>
Total capital assets not being depreciated	<u>4,815,164</u>	<u>2,244,493</u>	\$ <u>-0-</u>	<u>7,059,657</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - CAPITAL ASSETS (Continued):

	Balance May 1, 2004 <u>(Restated)</u>	<u>Additions</u>	<u>Deletions</u>	Balance April 30, 2005
Capital assets being depreciated:				
Buildings	\$ 3,361,298			\$ 3,361,298
Equipment	1,260,839	\$ 48,648	\$ 21,025	1,288,462
Vehicles	4,794,422	440,784	146,497	5,088,709
Land improvements	731,672			731,672
Infrastructure	<u>58,346,451</u>	<u>269,800</u>	<u> </u>	<u>58,616,251</u>
Total capital assets being depreciated	<u>68,494,682</u>	<u>759,232</u>	<u>167,522</u>	<u>69,086,392</u>
Less accumulated depreciation:				
Buildings	1,234,750	34,146		1,268,896
Equipment	1,061,447	86,746	21,025	1,127,168
Vehicles	2,823,857	316,233	146,497	2,993,593
Land improvements	375,599	24,624		400,223
Infrastructure	<u>9,691,538</u>	<u>653,123</u>	<u> </u>	<u>10,344,661</u>
Total accumulated depreciation	<u>15,187,191</u>	<u>1,114,872</u>	<u>167,522</u>	<u>16,134,541</u>
Total capital assets being depreciated, net	<u>53,307,491</u>	<u>(355,640)</u>	<u>-0-</u>	<u>52,951,851</u>
Total capital assets, net	<u>\$58,122,655</u>	<u>\$1,888,853</u>	<u>\$ -0-</u>	<u>\$60,011,508</u>

Depreciation expense for governmental activities for the year ended April 30, 2005 was charged to functions as follows:

General government	\$ 38,407
Public safety	225,923
Public works	150,596
Highways and streets	653,123
Community development	<u>46,823</u>
	<u>\$1,114,872</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - CAPITAL ASSETS (Continued):

	Balance May 1, <u>2004</u>	<u>Additions</u>	<u>Deletions</u>	Balance April 30, <u>2005</u>
Business-type activities:				
Kankakee Municipal Utility:				
Capital assets not being depreciated				
Land	\$ 257,359			\$ 257,359
Construction in progress	<u>1,215,975</u>	<u>\$2,354,850</u>	<u>\$1,196,679</u>	<u>2,374,146</u>
Total capital assets not being depreciated	<u>1,473,334</u>	<u>2,354,850</u>	<u>1,196,679</u>	<u>2,631,505</u>
Capital assets being depreciated:				
Buildings	11,695,519			11,695,519
Equipment	1,223,332	99,990		1,323,322
Vehicles	604,400	19,918		624,318
Leasehold improvements	289,696			289,696
Infrastructure	<u>21,389,628</u>	<u>1,890,965</u>	—	<u>23,280,593</u>
Total capital assets being depreciated	<u>35,202,575</u>	<u>2,010,873</u>	<u>-0-</u>	<u>37,213,448</u>
Less accumulated depreciation:				
Buildings	3,420,284	249,315		3,669,599
Equipment	472,330	75,419		547,749
Vehicles	457,900	53,547		511,447
Leasehold improvements	12,203	8,297		20,500
Infrastructure	<u>6,559,209</u>	<u>489,267</u>	—	<u>7,048,476</u>
Total accumulated depreciation	<u>10,921,926</u>	<u>875,845</u>	<u>-0-</u>	<u>11,797,771</u>
Total capital assets being depreciated, net	<u>24,280,649</u>	<u>1,135,028</u>	<u>-0-</u>	<u>25,415,677</u>
Total capital assets, net	<u>\$25,753,983</u>	<u>\$3,489,878</u>	<u>\$1,196,679</u>	<u>\$28,047,182</u>
Motor Vehicle Parking:				
Capital assets not being depreciated:				
Land	<u>\$1,443,807</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$1,443,807</u>
Capital assets being depreciated:				
Equipment	82,384			82,384
Vehicles	18,555			18,555
Land improvements	<u>731,992</u>	—	—	<u>731,992</u>
Total capital assets being depreciated	<u>832,931</u>	<u>-0-</u>	<u>-0-</u>	<u>832,931</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - CAPITAL ASSETS (Continued):

	Balance May 1, 2004	Additions	Deletions	Balance April 30, 2005
Less accumulated depreciation:				
Equipment	\$ 82,384			\$ 82,384
Vehicles	18,555			18,555
Land improvements	<u>731,992</u>	—	—	<u>731,992</u>
Total accumulated depreciation	<u>832,931</u>	\$-0-	\$-0-	<u>832,931</u>
Total capital assets being depreciated, net	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total capital assets, net	<u>\$1,443,807</u>	\$-0-	\$-0-	<u>\$1,443,807</u>
Component Unit:				
Library:				
Capital assets being depreciated:				
Buildings	\$6,422,889			\$6,422,889
Equipment	59,489			59,489
Leasehold improvements	<u>156,317</u>	—	—	<u>156,317</u>
Total capital assets being depreciated	<u>6,638,695</u>	\$ -0-	\$-0-	<u>6,638,695</u>
Less accumulated depreciation:				
Buildings	642,289	79,186		721,475
Equipment	11,898	11,898		23,796
Leasehold improvements	<u>7,816</u>	<u>7,816</u>	—	<u>15,632</u>
Total accumulated depreciation	<u>662,003</u>	<u>98,900</u>	<u>-0-</u>	<u>760,903</u>
Total capital assets, net	<u>\$5,976,692</u>	\$(98,900)	\$-0-	<u>\$5,877,792</u>

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES:

Interfund balances at April 30, 2005 consisted of the following:

Primary government:	
Governmental funds:	
Due to General Fund from:	
Kankakee Municipal Utility	\$ 25,160
Nonmajor governmental funds	<u>686,362</u>
Total	<u>\$711,522</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES (Continued):

Fiduciary Funds:	
Police Pension Fund	\$ 900
Firemen's Pension Fund	<u>958</u>
	<u>\$1,858</u>
Component units:	
Library	<u>\$41,512</u>
Due to Capital Projects Fund from:	
Nonmajor governmental funds	<u>\$157,195</u>
Component units:	
Library	<u>\$58,205</u>
Due to nonmajor governmental funds from:	
General Fund	\$ 60,575
Nonmajor governmental funds	<u>310,499</u>
Total	<u>\$371,074</u>
Component units:	
Library	<u>\$3,930</u>
Enterprise funds:	
Due to Kankakee Municipal Utility from:	
Nonmajor governmental funds	<u>\$120,243</u>
Component units:	
Due to Special Service Area #1 from:	
Capital Projects Fund	<u>\$116,611</u>

These balances resulted from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made. All these interfund balances are expected to be repaid within one year.

NOTE 7 - ACCOUNTS RECEIVABLE:

An analysis of the collectibility of accounts receivable for sewer, garbage collection, community oriented policing fees and Community Development Agency loans was performed as of April 30, 2005. The analysis shows that the collection of approximately \$451,000 of these accounts is doubtful. An allowance for uncollectible accounts for this amount has been recorded. At April 30, 2005, the City has deferred economic developments loans receivable of \$531,072 (less allowance of \$179,000) since they will not be available to pay current period expenditures. All other receivables are scheduled for collection during the fiscal year ending April 30, 2006.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 7 - ACCOUNTS RECEIVABLE (Continued):

Accounts receivable at April 30, 2005, are as follows:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Activities</u>
Governmental activities:			
Community oriented policing fees and trash collection	\$320,990		\$ 320,990
Liability insurance over payment	335,814		335,814
Economic development loans		\$ 531,072	531,072
Other receivables	<u>188,333</u>	<u>184</u>	<u>188,517</u>
Total	845,137	531,256	1,376,393
Less: allowance for doubtful accounts	<u>(67,000)</u>	<u>(179,000)</u>	<u>(246,000)</u>
	<u>\$778,138</u>	<u>\$ 352,256</u>	<u>\$1,130,393</u>
	<u>Kankakee Municipal Utility</u>	<u>Nonmajor Proprietary Funds</u>	<u>Total Business-type Activities</u>
Business-type activities:			
Sewer charges	\$1,683,200		\$1,683,200
Garbage collection	554,516		554,516
Parking		\$140	140
Other receivables	<u>2,208</u>	<u>—</u>	<u>2,208</u>
Total	2,239,924	140	2,240,064
Less: allowance for doubtful accounts	<u>(205,000)</u>	<u>—</u>	<u>(205,000)</u>
	<u>\$2,034,924</u>	<u>\$140</u>	<u>\$2,035,064</u>

NOTE 8 - DUE FROM OTHER GOVERNMENTAL AGENCIES:

The following receivables are included in due from other governmental agencies:

Governmental activities:

General Fund:

Sales tax	\$5,165,893
Local use tax	80,677
State replacement tax	107,731
Various grants	<u>32,939</u>
	<u>5,387,240</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - DUE FROM OTHER GOVERNMENTAL AGENCIES (Continued):

Nonmajor governmental funds:	
CDBG Grant	\$ 113,184
Motor Fuel Tax	65,269
Senior Aides Grant	<u>15,009</u>
	<u>193,462</u>
Total governmental activities	<u>\$5,580,702</u>

NOTE 9 - LONG-TERM DEBT OBLIGATIONS:

A summary of changes in long-term debt for the year ended April 30, 2005 is as follows:

	Balance May 1, 2004	Increases	Decreases	Balance April 30, 2005	Due within One Year
Primary Government:					
Governmental activities:					
Bonds Payable:					
General obligation bonds	\$49,165,000	\$9,160,000	\$5,215,000	\$53,110,000	\$2,490,000
Premium on bond proceeds	642,970	136,820	77,895	701,895	
Less: deferred loss on refunded debt	<u>535,828</u>	<u>111,095</u>	<u>77,442</u>	<u>569,481</u>	
Total bonds payable	49,272,142	9,185,725	5,215,453	53,242,414	2,490,000
Installment notes	733,086	200,000	230,063	703,023	258,501
Capital lease obligations	16,049	18,259	5,707	28,601	5,731
Unfunded employer pension contributions	9,517,871	2,342,335	2,037,928	9,822,278	
Compensated absences	<u>3,156,200</u>	<u>268,800</u>		<u>3,425,000</u>	<u>450,000</u>
Total long-term debt	<u>\$62,695,348</u>	<u>\$12,015,119</u>	<u>\$7,489,151</u>	<u>\$67,221,316</u>	<u>\$3,204,232</u>
Business-type activities:					
Bonds Payable:					
Revenue bonds	\$9,545,000		\$470,000	\$9,075,000	\$490,000
Less: deferred loss on refunded debt	<u>2,246,171</u>		<u>187,524</u>	<u>2,058,647</u>	
Total bonds payable	7,298,829		282,476	7,016,353	490,000
Compensated absences	<u>274,000</u>	<u>\$38,000</u>		<u>312,000</u>	<u>31,000</u>
Total long-term debt	<u>\$7,572,829</u>	<u>\$38,000</u>	<u>\$282,476</u>	<u>\$7,328,353</u>	<u>\$521,000</u>
Component units:					
General obligation bonds	\$ 255,000		\$ 80,000	\$ 175,000	\$ 85,000
Capital lease obligations	<u>2,535,360</u>		<u>54,469</u>	<u>2,480,891</u>	<u>52,375</u>
Total long-term debt	<u>\$2,790,360</u>	<u>\$-0-</u>	<u>\$134,469</u>	<u>\$2,655,891</u>	<u>\$137,375</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - LONG-TERM DEBT OBLIGATIONS (Continued):

Long-term liabilities other than debt typically have been liquidated in the General Fund.

Long-term debt is comprised of the following:

	<u>Governmental Activities</u>	<u>Component Units</u>
<u>General Obligation Bonds</u>		
\$3,865,000 City of Kankakee serial bonds dated December 1, 1995, \$1,495,000 refunded in April 2004, remaining balance due in annual installments on January 1, of amounts ranging from \$200,000 to \$225,000, through January 2008, plus interest ranging from 4.0% to 5.5% payable semiannually.	\$ 610,000	
\$7,200,000 City of Kankakee serial bonds dated April 1, 1997, \$5,915,000 refunded in April 2004, remaining balance due in annual installments on January 1, of amounts ranging from \$40,000 to \$215,000, through January 2013, plus interest ranging from 4.1% to 5.3%, payable semiannually.	745,000	
\$6,735,000 City of Kankakee serial bonds dated December 15, 1998, due in annual installments on January 1, of amounts ranging from \$125,000 to \$1,610,000, through January 2015, plus interest ranging from 4.2% to 5.0%, payable semiannually.	5,820,000	
\$6,785,000 City of Kankakee serial bonds dated February 1, 1999, due in annual installments on January 1 of amounts ranging from \$215,000 to \$640,000, through January 2015, plus interest ranging from 3.8% to 4.8%, payable semiannually.	5,265,000	
\$4,590,000 City of Kankakee serial bonds dated August 15, 2000, due in annual installments on January 1, of amounts ranging from \$25,000 to \$440,000, through January 2025, plus interest ranging from 4.5% to 5.6%, payable semiannually.	3,670,000	
\$3,595,000 City of Kankakee serial bonds dated December 1, 2001, due in annual installments on January 1, of amounts ranging from \$80,000 to \$365,000 through January 2015, plus interest ranging from 2.1% to 4.5%, payable semiannually.	3,040,000	\$175,000

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - LONG-TERM DEBT OBLIGATIONS (Continued):

	<u>Governmental Activities</u>	<u>Component Units</u>
\$450,000 City of Kankakee serial bonds dated December 1, 2001, due in annual installments on January 1, of amounts ranging from \$60,000 to \$70,000, through January 2009, plus interest ranging from 3.05% to 3.90%, payable semiannually.	\$ 270,000	
\$450,000 City of Kankakee serial bonds dated December 1, 2001, due in annual installments on January 1, of amounts ranging from \$60,000 to \$70,000, through January 2009, plus interest ranging from 3.05% to 3.90%, payable semiannually.	270,000	
\$3,960,000 City of Kankakee serial bonds dated June 1, 2003, due in annual installments on January 1, of amounts ranging from \$35,000 to \$1,240,000, through January 2014, plus interest ranging from 2.25% to 5.25%, payable semiannually.	3,960,000	
\$4,860,000 City of Kankakee serial bonds dated June 1, 2003, due in annual installments on January 1, of amounts ranging from \$250,000 to \$490,000, through January 2019, plus interest ranging from 2.25% to 5.25%, payable semiannually.	4,860,000	
\$6,000,000 City of Kankakee variable rate serial bonds dated October 1, 2003, due in annual installments on January 1, of amounts ranging from \$140,000 to \$1,120,000 through January 2023, payable semiannually. Interest on these bonds is paid at a rate applicable to 90-day U.S. Treasury bills and is reset weekly.	6,000,000	
\$9,600,000 City of Kankakee serial bonds dated April 1, 2004, due in annual installments on January 1, of amounts ranging from \$130,000 to \$1,820,000, through January 2020, plus interest ranging from 2.0% to 4.0%, payable semiannually.	9,440,000	
\$9,160,000 City of Kankakee serial bonds dated February 1, 2005, due in annual installments on January 1 of amounts ranging from \$115,000 to \$815,000, through January 2024 plus interest ranging from 3.0% to 4.35%, payable semiannually.	<u>9,160,000</u>	
	53,110,000	175,000
Add: Unamortized premium on bond issuance and deferred loss on early retirement of bonds, net	<u>132,414</u>	
Total General Obligation Bonds	<u>\$53,242,414</u>	<u>\$175,000</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - LONG-TERM DEBT OBLIGATIONS (Continued):

The annual requirements to amortize all short and long-term general obligation bonds outstanding at April 30, 2005, are as follows:

Primary Government:
Governmental activities:

<u>Year Ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 2,490,000	\$ 2,130,856	\$ 4,620,856
2007	2,680,000	2,066,360	4,746,360
2008	3,220,000	1,971,923	5,191,923
2009	3,500,000	1,853,400	5,353,400
2010	3,315,000	1,723,656	5,038,656
2011 - 2015	22,425,000	6,270,857	28,695,857
2016 - 2020	11,005,000	2,111,738	13,116,738
2021 - 2025	<u>4,475,000</u>	<u>425,423</u>	<u>4,900,423</u>
	<u>\$53,110,000</u>	<u>\$18,554,213</u>	<u>\$71,664,213</u>

Component Unit - Special Service Area #1:

<u>Year Ending April 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 85,000	\$5,910	\$ 90,910
2007	<u>90,000</u>	<u>3,105</u>	<u>93,105</u>
	<u>\$175,000</u>	<u>\$9,015</u>	<u>\$184,015</u>

Installment Notes

\$1,000,000 note, obtained pursuant to the public offering of trust certificates guaranteed under Section 108 of the Housing and Development Act of 1994, as amended, payable in annual installments on August 1, of amounts ranging from \$150,000 to \$175,000, through August 2005, plus accrued interest at variable rate on February 1 and August 1 of each year.

\$175,000

\$262,160 unsecured bank note, dated December 16, 2003, payable in 12 semiannual installments of \$24,243, including interest at 3.23%, through December 16, 2009.

221,953

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - LONG-TERM DEBT OBLIGATIONS (Continued):

\$97,910 bank note, dated September 15, 2003, secured by equipment, payable in five annual installments of \$21,593, including interest at 3.30%, through September 15, 2008.	\$ 79,593
\$50,540 bank note at 3.3%, dated August 29, 2003, secured by vehicles, payable in three annual installments of \$13,885, including interest, through August 29, 2006.	26,477
Non-interest bearing \$200,000 loan dated February 22, 2005, from the Illinois Finance Authority for the purchase of a fire truck, payable in twenty annual installments of \$10,000, commencing on November 1, 2005 through November 1, 2024.	<u>200,000</u>
Total installment notes	<u>\$703,023</u>

The annual requirements to amortize all long-term installment loans outstanding at April 30, 2005, are as follows:

<u>Year Ending</u> <u>April 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$258,501	\$15,437	\$273,938
2007	85,947	8,016	93,963
2008	74,556	5,523	80,079
2009	76,697	3,380	80,077
2010	57,322	1,166	58,488
2011 - 2015	50,000		50,000
2016 - 2020	50,000		50,000
2021 - 2025	<u>50,000</u>		<u>50,000</u>
	<u>\$703,023</u>	<u>\$33,522</u>	<u>\$736,545</u>

Capital Lease Obligations

The City has entered into lease agreements as lessee for financing the acquisition of certain vehicles and the library building. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments in the appropriate capital asset accounts. The following is a schedule of capital lease obligations and the minimum lease payments.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - LONG-TERM DEBT OBLIGATIONS (Continued):

	<u>Governmental Activities</u>	<u>Component Units</u>
\$17,396 lease, plus interest of \$2,088, due in monthly installments of \$394, including interest, through April 2007, and a final payment of \$8,018, including interest in April 2007. Payable from the Community Development Agency Fund.	\$13,254	
\$18,259 lease, plus interest of \$1,337, due in monthly installments of \$335, including interest, through June 2007, and a final payment of \$7,536, including interest in July 2007. Payable from the Community Development Agency Fund.	15,347	
\$6,422,889 lease, plus interest of \$2,077,111, due in monthly installments of \$15,000, including interest, through October 2028. Payable from Kankakee Public Library Fund, a component unit.	<u> </u>	\$2,480,891
Total capital lease obligations	<u>\$28,601</u>	<u>\$2,480,891</u>

The following is an analysis of the assets recorded under capital leases at April 30, 2005:

<u>Classes of Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Governmental Funds:			
Vehicles	<u>\$42,388</u>	<u>\$12,583</u>	<u>\$29,805</u>
Component Units - Library:			
Buildings	<u>\$6,422,889</u>	<u>\$721,475</u>	<u>\$5,701,414</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - LONG-TERM DEBT OBLIGATIONS (Continued):

Future minimum lease payments for all capital lease obligations:

<u>Year Ending</u> <u>April 30,</u>	<u>Governmental</u> <u>Activities</u>	<u>Component Unit</u> <u>Library</u>
2006	\$ 6,666	\$ 165,000
2007	15,566	180,000
2008	8,206	180,000
2009		180,000
2010		180,000
2011 - 2015		900,000
2016 - 2020		900,000
2021 - 2025		900,000
2026 - 2029		<u>630,000</u>
Total minimum lease payments	30,438	4,215,000
Less: amount representing interest	<u>(1,837)</u>	<u>(1,734,109)</u>
Present value of minimum lease payments	<u>\$28,601</u>	<u>\$ 2,480,891</u>

Unfunded Employer Pension Contributions

Cumulative difference between the annual pension cost and the contributions funded for the Police Pension Fund	\$4,110,751
Cumulative difference between the annual pension cost and the contributions funded for the Firemen's Pension Fund	<u>5,711,527</u>
Total unfunded employer pension contributions due from General Fund	<u>\$9,822,278</u>

Compensated Absences

	<u>Governmental</u> <u>Activities</u>	<u>Business -</u> <u>type</u> <u>Activities</u>
Vested portion of the vacation and sick leave and other employee benefits which are expected to be paid from the governmental funds and enterprise funds	<u>\$3,425,000</u>	<u>\$312,000</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - LONG-TERM DEBT OBLIGATIONS (Continued):

Revenue Bonds

Details of the revenue bond indebtedness of the City's Enterprise Funds at April 30, 2005, are as follows:

\$7,140,000 Kankakee Municipal Utility serial bonds dated April 22, 1999, due in annual installments on May 1, of amounts ranging from \$215,000 to \$560,000 through May 1, 2018, plus interest at rates ranging from 4.10% to 6.00%, payable semiannually.	\$5,470,000
\$4,270,000 Kankakee Municipal Utility serial bonds dated December 1, 2003, due in annual installments on May 1, of amounts ranging from \$145,000 to \$295,000 through May 1, 2022, plus interest at rates ranging from 2.45% to 5.00%, payable semiannually.	<u>3,605,000</u>
	9,075,000
Less: Deferred loss on early Retirement of Sewerage Refunding Revenue Bonds, Series 1991	<u>2,058,647</u>
Total revenue bonds	<u>\$7,016,353</u>

Debt service on the above revenue bonds payable at April 30, 2005, are as follows:

Year Ending April 30,	<u>Kankakee Municipal Utility</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 490,000	\$ 417,930	\$ 907,930
2007	510,000	398,626	908,626
2008	530,000	377,935	907,935
2009	555,000	355,576	910,576
2010	580,000	331,535	911,535
2011 - 2015	3,295,000	1,244,203	4,539,203
2016 - 2020	2,535,000	442,266	2,977,266
2021 - 2025	<u>580,000</u>	<u>43,608</u>	<u>623,608</u>
	<u>\$9,075,000</u>	<u>\$3,611,679</u>	<u>\$12,686,679</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - LONG-TERM DEBT OBLIGATIONS (Continued):

The revenue bond ordinances require that all monies held in the Kankakee Municipal Utility be segregated and restricted in separate special reserve accounts, in the priority indicated by the order of the following:

<u>Account</u>	<u>Amount</u>	<u>Nature of Authorized Expenditures</u>
Operation and maintenance	Sufficient amount to pay reasonable monthly expenses	Paying expenses of maintenance and operation of the system
Bond and interest	Monthly payment of 1/6 of next interest due and 1/12 of next principal due until amount is sufficient to pay current bond and interest payment	Paying principal and interest on bonds
Bond reserve	Monthly payment of 1/24 of the difference between the amount on deposit to the credit of the bond reserve account at the time of delivery of the bonds and the maximum annual debt service	Paying principal and interest on bonds when monies are insufficient in Bond and Interest account. After the account reaches \$913,481 (maximum principal and interest due in any one year), such monthly payments may cease.
Reserve and replacement	\$10,000 per month	Paying costs of extraordinary maintenance, repairs and necessary replacements. After the account accumulates to \$500,000 such monthly payment may cease.
Surplus	Annually, the amount remaining after payment into the above four accounts	<p>Reserve for deficiencies in the other reserves and there after, without any priority among them, for one or more of the following purposes:</p> <p>For the purpose of constructing or acquiring repairs, replacements, improvements or extensions to the system; or</p> <p>For the purpose of calling and redeeming outstanding bonds which are callable at the time; or</p> <p>For the purpose of purchasing outstanding bonds which are not callable at the time at a price not to exceed par and accrued interest to the date of purchase; or</p> <p>For the purpose of paying principal of and interest on any subordinate bonds or obligations issued for the purpose of acquiring or construction repairs, replacements, improvements or extension to the system; or</p> <p>For any other lawful system purpose.</p>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - LONG-TERM DEBT OBLIGATIONS (Continued):

The Utility met all reserve provisions as required above for the year ended April 30, 2005.

The Kankakee Municipal Utility covenants in the bond ordinance to establish, maintain and collect at all times fees, charges and rates for the use and service of the system, sufficient at all times to pay operating and maintenance costs, to pay the principal of and interest on all revenue bonds of the City which by their terms are payable solely from the revenues, to provide net revenues in each fiscal year in the amount of not less than 120 percent of the current debt service requirement for all outstanding bonds for such fiscal year, and to the extent necessary after the application of the net revenues available pursuant to the rate covenant described in this paragraph, such additional amounts as may be required to provide an adequate depreciation fund, and to provide for the creation and maintenance of the respective accounts described above. "Current Debt Service Requirement" as used in this paragraph means the amount required to be credited under the bond ordinance to the bond and interest account in a given fiscal year. "Revenues" as defined in the bond ordinance and as used in the covenant calculation does not include proceeds from the sale of capacity. During the year ended April 30, 2005, the Kankakee Municipal Utility did comply with this rate covenant. The covenant calculation is included on page 109.

Required Bond Indenture Disclosures

Insurance Coverage - The plant, buildings and contents were insured at April 30, 2005 for \$7,196,000 under the City of Kankakee master policy with the St. Paul Companies. The Kankakee Municipal Utility is also included on the master umbrella liability policy for the City of Kankakee, Illinois, with the St. Paul Companies. The April 30, 2005 coverage is as follows:

Property damage	\$2,000,000	Per Occurrence
Auto liability	2,000,000	Per Occurrence
Comprehensive liability	5,000,000	Per Occurrence
Annual aggregate coverage	9,000,000	

Customer and Flow Information - As of April 30, 2005 there were 8,421 customers providing sewer charge revenue as follows:

	<u>Number of Customers</u>	<u>Sewer Charges</u>
Residential and commercial	8,383	\$2,435,863
Industrial and institutional	<u>38</u>	<u>4,197,070</u>
Total	<u>8,421</u>	<u>\$6,632,933</u>

Most of these customers have a water meter; the number of unmetered customers is negligible.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - LONG-TERM DEBT OBLIGATIONS (Continued):

User Rates - The rates in effect at April 30, 2005 were as follows:

Flow charge (100 ft. ³)	\$ 2.50
BOD surcharge (lb.)	.36
SS surcharge (lb.)	.36
FOG surcharge (lb.)	.36
Special waste (gal.)	.05
GW contaminated (100 ft. ³)	6.50
Septage (1,000 gal.)	34.00
Fixed charge (month)	23.00
Leachate (gal.)/City landfill	N/A
Leachate (gal.)/non-City landfill	N/A
IPP charges	5%

Outstanding Bond Issues - 2001 bonds due May 1, 2005 to 2011 are noncallable in advance of maturity. 2001 bonds due May 1, 2012 to 2022 are callable. 1999 bonds due May 1, 2005 to 2009 are noncallable in advance of maturity. 1999 bonds due May 1, 2010 to 2018 are callable.

NOTE 10 - PROPERTY TAXES:

Property taxes are levied each year on all taxable real property located in the City. The City must file its tax levy ordinance by the last Tuesday of December of each year. The owner of real property on January 1 (lien date) in any year is liable for taxes of that year. Property taxes are collected by the Kankakee County Collector who remits to the City its share of the collection. Taxes levied for calendar year 2003 were due, payable, and collected in two installments in June and September 2004.

Revenue for property taxes is recognized in the governmental funds in the year for which the taxes are intended to finance and the funds are available. The City considers property tax revenue to be available if it is collected during the current year or within 60 days after year end. Property taxes levied for calendar year 2003 are intended to finance the fiscal year 2005 expenditures. Accordingly, the City recognized revenue during the year ended April 30, 2005 for collections from the calendar year 2003 levy if it was received by June 30, 2005. Property taxes levied for calendar year 2004, which will be collected in fiscal year 2006, are recorded as receivables and deferred revenue. At April 30, 2005, the City and its component units have not deferred property taxes receivable based on the availability criteria. The 2005 tax levy, which attached as an enforceable lien on property as of January 1, 2005, has not been recorded as a receivable as of April 30, 2005, as the tax has not yet been levied by the City and will not be levied until December 2005, and therefore, the levy is not measurable at April 30, 2005.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 11 - INTERFUND TRANSFERS:

Interfund transfers for the year ended April 30, 2005, consisted of the following:

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>			
	<u>General Fund</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
General Fund			\$ 208,159	\$ 208,159
Kankakee Municipal Utility	\$205,201			205,201
Nonmajor governmental	<u>450,000</u>	<u>\$8,236</u>	<u>1,006,445</u>	<u>1,464,681</u>
	<u>\$655,201</u>	<u>\$8,236</u>	<u>\$1,214,604</u>	<u>\$1,878,041</u>

The following paragraphs provide information concerning the various interfund transfers for the year ended April 30, 2005:

The General Fund transferred \$208,159 to the Debt Service Fund to provide for bond and interest retirement.

The Kankakee Municipal Utility Fund transferred \$89,201 to the General Fund to provide for payments in arrears to the Debt Service Fund for 1992A General Obligation Bond, provided for by the General Fund.

The Kankakee Municipal Utility transferred \$116,000 to General Fund as payment in lieu of taxes.

The Tax Increment Financing District No. 1 Fund transferred \$445,803 to the Debt Service Fund to provide for bond and interest retirement.

The Tax Increment Financing District No. 2 Fund transferred \$72,360 to the Debt Service Fund to provide for bond and interest retirement.

The Tax Increment District No. 2 transferred \$200,000 to the General Fund to provide for the public safety costs incurred on behalf of the District.

The Tax Increment District No. 3 transferred \$100,000 to the General Fund to provide for the public safety costs incurred on behalf of the District.

The Tax Increment Financing District No. 4 Fund transferred \$72,360 to the Debt Service Fund to provide for bond and interest retirement.

The Tax Increment Financing District No. 4 transferred \$150,000 to the General Fund to provide for the public safety costs incurred on behalf of the District.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 11 - INTERFUND TRANSFERS (Continued):

Increment Financing District No. 5 Fund transferred \$156,801 to the Debt Service Fund to provide for bond and interest retirement.

The Tax Increment Financing District No. 6 Fund transferred \$227,445 to the Debt Service Fund to provide for bond interest retirement.

The Tax Increment Financing District No. 7 Fund transferred \$31,675 to the Debt Service Fund to provide for bond and interest retirement.

The Debt Service Fund transferred \$8,236 to the Capital Projects Fund from excess cash received on issuance of 2005 bonds series due to market fluctuation.

NOTE 12 - DEFERRED REVENUE:

The balance in the deferred revenues at April 30, 2005, composed of the following elements:

	<u>Unavailable</u>	<u>Unearned</u>
Governmental Funds:		
General Fund:		
Property taxes receivable		\$ 3,612,766
Unexpended grant receipts		89,308
Advance collection of licenses and fees		105,600
Nonmajor Governmental Funds:		
Property taxes receivable		5,953,874
Unexpended tax receipts		1,135,240
Loans receivable net of allowance for uncollectible amounts	<u>\$352,072</u>	<u> </u>
	<u>\$352,072</u>	<u>\$10,896,788</u>
Component Units:		
Library Fund:		
Property taxes receivable		\$1,189,860
Special Service Area # 1:		
Property taxes receivable	<u> </u>	<u>109,700</u>
	<u>\$-0-</u>	<u>\$1,299,560</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 13 - RELATED PARTY TRANSACTIONS:

The following provides information concerning transactions between the City and its component units for the year ended April 30, 2005:

<u>From</u>	<u>To</u>	<u>Amount</u>	<u>Purpose</u>
Capital Projects Fund	Special Service Area #1	\$116,611	To provide for various repairs and improvements.
Special Service Area #1	Debt Service Fund	\$88,340	To provide for bond and interest retirement.

NOTE 14 - SEGMENT INFORMATION:

The City maintains two enterprise funds which provide various services to the general public:

Kankakee Municipal Utility - Accounts for the operation of the City sewer and solid waste systems and the production, transmission and delivery of electric power. The City issues revenue bonds to support its utility activities. The fund financial statements report the Utility as a major fund. All segment report requirements are included in the fund financial statements.

Motor Vehicle Parking - Accounts for the parking services of the City including monitoring and maintaining city-owned parking facilities. No segment reporting is required for the parking activity because of the absence of revenue-backed debt.

NOTE 15 - FEDERAL PROGRAM AUDITS:

The City participates in a number of federally assisted grant programs, principal of which are the Community Development Block Grant, Lead-based Paint Hazard Control Program and various Department of Justice programs. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of April 30, 2005, significant amounts of grant expenditures have not been audited, but the City believes that disallowed expenditures, discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the City.

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 16 - COMMITMENTS:

Operating Leases

In July 1988, the City leased the Kankakee Dam for 60 years from the Illinois Department of Conservation for the purpose of constructing, operating and maintaining the Hydroelectric Plant. The annual lease payment is based on the number of kilowatt hours of electricity produced by the Hydroelectric Plant plus \$1,200 each year. The annual lease payment for the year ended April 30, 2005 was \$5,463.

Kankakee Municipal Utility entered into a lease agreement with Space Center Chicago, Inc. on October 5, 2001 to lease 34,922 square feet of office and warehouse space. The lease was scheduled to commence on December 15, 2001 and continue for a period of 240 months. Rent will consist of a base amount plus additional rent composed of operating expenses, amortization of tenant improvements and Common Area Maintenance charges. The actual commencement date was April 2002. Rent expense for the year ended April 30, 2005 was \$225,720.

Construction Commitments

The City has several active construction projects as of April 30, 2005. These projects and the City's commitment with contractors at April 30, 2005 are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
Governmental activities:		
Station Street bridge	\$ 260,443	\$ 1,724,632
Varney Road	797,482	425,605
Ray's subdivision improvements	755,626	51,943
2005 MFT street maintenance	139,464	980,850
1500 E. Road - Prairie Walk	21,638	236,978
Ice arena road	-0-	207,864
Model block 2 - Coachlight	5,234	231,060
Fifth Avenue Road - Court to Cypress	69,747	341,345
Fifth Avenue Road - Cypress to Kennedy	<u>680,030</u>	<u>32,718</u>
	<u>\$2,729,664</u>	<u>\$4,232,995</u>
Business-type activities:		
Hydroelectric project	\$ 110,063	\$ 165,330
Storm and sanitary improvements	1,012,468	137,993
Various other sewer improvements	540,311	164,327
Fifth Avenue bridge	114,956	385,044
Stone Street Odor Control	235,512	184,716
Sewer extension: Landfill/Industrial park	<u>360,836</u>	<u>7,802</u>
	<u>\$2,374,146</u>	<u>\$1,045,212</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 17 - EXPENDITURES AND APPROPRIATIONS:

Excesses of expenditures over appropriations in individual funds for the year ended April 30, 2005 were as follows:

	<u>Expenditures</u>	<u>Appropriations</u>	<u>Excess</u>
General Fund	\$18,047,228	\$16,796,323	\$1,250,905
Park Fund	41,218	35,000	6,218

NOTE 18 - DEFICIT FUND BALANCE:

At April 30, 2005, the following funds had deficit fund balances. These deficits are not in violation of any state law.

Primary Government:	
General Obligation Bonds, Series 1995	\$ 1,612
General Obligation Bonds, Series 1997	15,234
General Obligation Bonds, Series 2000A	16,755

NOTE 19 - INVESTMENT IN JOINT VENTURE:

Effective May 1, 1996, pursuant to a Municipal Joint Sewage Treatment Agency Intergovernmental Agreement, the City of Kankakee and the villages of Aroma Park, Bourbonnais, and Bradley agreed to the establishment of an independent agency with authority to operate the Regional Wastewater Treatment Facility (RWTF), raise revenue and exercise other powers as necessary. The independent agency created is the Kankakee River Metropolitan Agency (KRMA). The agreement requires a seven member board comprised of four persons appointed by the Mayor of the City of Kankakee and one person appointed by the Mayor of each village. A majority of five affirmative votes is required to modify this agreement, modify the methodology or the amount of user charges, approve bond issues or any appropriation in excess of \$50,000 or to change the membership of the Agency. On April 22, 1999, KRMA acquired ownership of the RWTF.

As of April 30, 2005, the City has recorded in the Kankakee Municipal Utility an investment in the joint venture of \$1,270,885.

Financial statements of the joint venture can be obtained from the City's accounting department. Pertinent financial information for the joint venture as of April 30, 2005 is as follows:

Statement of net assets:	
Current assets	\$ 927,155
Restricted assets	1,489,012
Capital assets, net	16,095,218
Other assets	<u>469,705</u>
Total assets	<u>\$18,981,090</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 19 - INVESTMENT IN JOINT VENTURE (Continued):

Current liabilities	\$ 1,328,336
Non-current liabilities	<u>15,689,675</u>
Total liabilities	<u>17,018,011</u>
Total net assets	\$ <u>1,963,079</u>
Statement of revenues, expenses and changes in net assets:	
Operating revenues	\$ 4,575,053
Operating expenses	(3,766,400)
Other income (expense)	<u>(764,020)</u>
Change in net assets	44,633
Ownership percentage	<u>53.35%</u>
Utility's share of net income (equity interest in joint venture income)	\$ <u>23,812</u>

NOTE 20 - RISK MANAGEMENT AND LITIGATION:

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City utilizes conventional outside insurance to cover its exposure to such liabilities and worker's compensation claims with standard retention levels. In addition, a safety committee works at prevention activities to keep risk exposure at a minimum level through employee education and monitoring of risk control activities. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. For insured programs there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The City Attorney estimates that the amount of actual or potential claims against the City as of April 30, 2005 will not materially affect the financial condition of the City or any of the individual funds. Therefore, the General Fund contains no provision for estimated claims.

NOTE 21 - ADVANCE REFUNDING:

On February 8, 2005, the City issued \$9,160,000 of general obligation bonds Series 2005, with an average interest rate of 4.06 percent from which \$3,160,000 were used to provide resources to purchase U.S. Government securities that were placed in an irrevocable trust for the purpose of advance refunding \$3,025,000 of general obligation bonds, Series 1998 with an average interest rate of 4.95 percent. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 21 - ADVANCE REFUNDING (Continued):

governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$111,095. This amount is being netted against the new debt and amortized over the life of the refunded debt, which is shorter than the life of the new debt issued. This advance refunding increased total debt service payments over the next 16 years by \$214,255 and resulted in an economic gain of \$67,192.

NOTE 22 - PRIOR YEARS' DEBT DEFEASANCE:

In prior years, the City has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued, and the proceeds have been used to purchase U.S. Government Securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and, therefore, removed as a liability from the City's financial statements. As of April 30, 2005, the amount of defeased debt outstanding but removed from the long-term debt obligations of the City amounted to \$5,915,000.

NOTE 23 - RESTATEMENT OF FUND EQUITY/NET ASSETS:

The City has restated fund balance and net assets for its fund financial statements and government-wide financial statements as of May 1, 2004 to a) record revenue/receivables in prior periods, b) record expenditures/payables in the period incurred, c) correct interfund transfer recorded as interfund loan in prior year, d) adjust long-term loans receivable deferred in prior year in the government-wide statements, and e) adjust capital assets for retroactive infrastructure reporting in the government-wide statements.

Fund Statements

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Non-Major Governmental</u>
Fund balance, May 1, 2004, as previously reported	\$ 2,625,358	\$1,556,391	\$4,865,702
Restated for:			
a) Receivables	1,678,280		
b) Payables	(2,303,048)		
c) Interfund transfer	<u> </u>	<u>(637,912)</u>	<u>637,912</u>
Fund balance, May 1, 2004, restated	\$ <u>2,000,590</u>	\$ <u>918,479</u>	\$ <u>5,503,614</u>

CITY OF KANKAKEE, ILLINOIS
NOTES TO FINANCIAL STATEMENTS

NOTE 23 - RESTATEMENT OF FUND EQUITY/NET ASSETS (Continued):

Government-Wide Financial Statements:

	<u>Governmental Activities</u>
Net assets, May 1, 2004 as previously reported	\$(46,400,683)
a) Receivable	1,678,280
b) Payable	(2,303,048)
c) Interfund transfer	-0-
d) Deferred revenue	350,009
e) Infrastructure, net of accumulated depreciation	<u>50,933,074</u>
	\$ <u>4,257,632</u>

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REQUIRED SUPPLEMENTAL INFORMATION

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the year ended April 30, 2005

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u> <u>Over (Under)</u>
Revenues:				
Taxes	\$13,527,699	\$13,527,699	\$ 14,645,610	\$ 1,117,911
Licenses and permits	1,660,000	1,660,000	1,357,586	(302,414)
Intergovernmental	361,740	361,740	284,158	(77,582)
Charges for services	805,486	805,486	900,443	94,957
Fines and fees	688,000	688,000	752,054	64,054
Interest	20,000	20,000	64,248	44,248
Miscellaneous	135,000	135,000	172,460	37,460
Total revenues	<u>17,197,925</u>	<u>17,197,925</u>	<u>18,176,559</u>	<u>978,634</u>
Expenditures:				
Current:				
General government	4,308,432	4,308,432	4,523,792	215,360
Public safety	10,912,560	10,912,560	11,618,774	706,214
Public works	1,559,081	1,559,081	1,806,998	247,917
Community development			31,279	31,279
Economic development	16,250	16,250	32,017	15,767
Debt Service:				
Principal retirement			29,856	29,856
Interest and fiscal charges			4,512	4,512
Total expenditures	<u>16,796,323</u>	<u>16,796,323</u>	<u>18,047,228</u>	<u>1,250,905</u>
Excess (deficiency) of revenues over expenditures	<u>401,602</u>	<u>401,602</u>	<u>129,331</u>	<u>(272,271)</u>
Other financing sources (uses):				
Transfers:				
From other funds	145,797	145,797	655,201	509,404
To other funds	(297,399)	(297,399)	(208,159)	89,240
Total other financing sources (uses)	<u>(151,602)</u>	<u>(151,602)</u>	<u>447,042</u>	<u>598,644</u>
Net change in fund balance	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>576,373</u>	<u>\$ 326,373</u>
Fund balance, May 1, 2004			2,625,358	
Prior period adjustment			(624,768)	
Fund balance, May 1, 2004, restated			<u>2,000,590</u>	
Fund balance, April 30, 2005			<u>\$ 2,576,963</u>	

CITY OF KANKAKEE, ILLINOIS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION -
BUDGETARY COMPARISON SCHEDULE
APRIL 30, 2005

NOTE 1 - BUDGETARY ACCOUNTING:

The City adopts annual budgets for the General Fund, Band Fund, Park Fund, Illinois Municipal Retirement Fund and Special Service Area #2. For Civil Defense Fund, Community Development Agency, Senior Aides, Motor Fuel Tax, and Tax Increment Financing District funds, legally authorized non-appropriated budgets are utilized to control expenditures on a project (or designated purpose) basis and are carried forward each year until the project is completed or the grant award has been expended. No legally adopted budgets are prepared for capital projects funds and debt service funds. Expenditures for capital project funds are controlled on a project basis. Expenditures for debt service funds are controlled through general obligation bonds' indenture provisions. Budgets for enterprise funds serve as a spending guide for the City and do not constitute legally binding limitations.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 1, the City Council's budget committee submits to the City Council a proposed operating budget for the fiscal year which had commenced May 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to August 1, the budget is legally enacted through passage of the annual appropriation ordinance. This ordinance places legal restrictions on expenditures at the department level for the General Fund and at the fund level for the Special Revenue Funds. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.
4. Revenues are budgeted by source. Although legal restrictions on expenditures are established at the department level for the General Fund and at the fund level for Special Revenue Funds, effective administrative control over expenditures is maintained through the establishment of more detailed line-item budgets such as personal services, materials and supplies, capital outlay, contractual and debt service. Expenditures are budgeted by fund and department and classified by function, activity and/or program. Management may transfer budgeted amounts between line items within a department in the General Fund and within a fund in the Special Revenue Funds without the approval of the City Council. No material supplemental budget appropriations were made during fiscal year ended April 30, 2005.
5. All budgets are adopted on a modified accrual basis. Unencumbered and unexpended appropriations lapse at fiscal year end.

NOTE 2 - EXPENDITURES AND APPROPRIATIONS:

Excess of expenditures over appropriations in General Fund for the year ended April 30, 2005 was \$1,250,905.

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF FUNDING PROGRESS
ILLINOIS MUNICIPAL RETIREMENT FUND
April 30, 2005

Actuarial Valuation Date December 31,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) ---Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
2004	\$13,670,956	\$13,269,673	\$ (401,283)	103.02%	\$ 5,074,627	-7.91%
2003	14,944,651	13,991,022	(953,629)	106.82%	5,311,719	-17.95%
2002	14,741,685	12,766,158	(1,975,527)	115.47%	5,356,081	-36.88%
2001	15,930,360	12,132,670	(3,797,690)	131.30%	5,440,324	-69.81%
2000	15,265,055	11,279,991	(3,985,064)	135.33%	5,164,986	-77.16%
1999	13,723,118	10,299,124	(3,423,994)	133.25%	5,018,601	-68.23%
1998	11,659,097	9,554,996	(2,104,101)	122.02%	4,984,828	-42.21%
1997	10,176,901	9,279,645	(897,256)	109.67%	4,995,898	-17.96%
1996	8,587,137	8,161,676	(425,461)	105.21%	4,697,652	-9.06%
1995	7,412,129	7,533,032	120,903	98.40%	4,599,471	2.63%

On a market basis, the actuarial value of assets as of December 31, 2004 is \$13,706,055. On a market basis, the funded ratio would be 103.29%.

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF FUNDING PROGRESS
POLICE PENSION FUND
April 30, 2005

Actuarial Valuation Date April 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) ---Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
2004	\$10,839,066	\$26,207,141	\$15,368,075	41.36%	\$ 3,697,174	415.67%
2003	10,140,012	24,391,727	14,251,715	41.57%	3,372,609	422.57%
2002	10,452,757	23,056,893	12,604,136	45.33%	3,395,319	371.22%
2001	11,191,083	21,482,299	10,291,216	52.09%	3,195,355	322.07%
2000	12,558,886	19,982,474	7,423,588	62.85%	2,914,227	254.74%
1999	11,120,244	18,817,976	7,697,732	59.09%	2,874,407	267.80%
1998	N/A	N/A	N/A	N/A	N/A	N/A
1997	10,104,437	19,736,436	9,631,999	51.20%	2,936,582	328.00%
1996	9,777,882	19,010,214	9,232,332	51.43%	2,393,734	385.69%
1995	9,394,791	17,848,273	8,453,482	52.64%	2,230,531	378.99%

N/A - Not available

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF FUNDING PROGRESS
FIREMEN'S PENSION FUND
April 30, 2005

Actuarial Valuation Date April 30,	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) ---Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
2004	\$10,431,881	\$26,119,708	\$15,687,827	39.94%	\$ 2,427,257	646.32%
2003	10,052,187	26,192,190	16,140,003	38.38%	2,352,187	686.17%
2002	10,819,597	25,431,162	14,611,565	42.54%	2,299,154	635.52%
2001	11,450,544	24,296,512	12,845,968	47.13%	2,213,379	580.38%
2000	12,211,206	23,353,668	11,142,462	52.29%	2,244,729	496.38%
1999	10,944,127	22,235,656	11,291,529	49.22%	2,283,580	494.47%
1998	N/A	N/A	N/A	N/A	N/A	N/A
1997	9,660,632	23,290,322	13,629,690	41.48%	2,484,264	548.64%
1996	9,474,334	21,648,145	12,173,811	43.77%	1,929,289	631.00%
1995	9,266,660	20,736,738	11,470,078	44.69%	1,854,523	618.49%

N/A - Not available

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
POLICE PENSION FUND
April 30, 2005

<u>Year Ended April 30,</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
2005	\$954,259	\$954,259	100.00%
2004	856,688	856,688	100.00%
2003	701,806	701,806	100.00%
2002	536,964	536,964	100.00%
2001	540,496	538,428	99.62%
2000	465,000	535,942	115.26%
1999	692,127	283,916	41.02%
1998	634,713	212,121	33.42%
1997	548,664	173,841	31.68%
1996	518,357	159,459	30.76%

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FIREMEN'S PENSION FUND
April 30, 2005

<u>Year Ended April 30,</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage Contributed</u>
2005	\$1,085,807	\$1,090,926	100.47%
2004	984,722	984,722	100.00%
2003	874,715	887,458	101.46%
2002	768,601	769,597	100.13%
2001	763,870	763,606	99.97%
2000	700,000	788,888	112.70%
1999	815,979	525,352	64.38%
1998	767,942	398,682	51.92%
1997	689,674	331,267	48.03%
1996	602,823	298,049	49.44%

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**COMBINING AND INDIVIDUAL
FUND FINANCIAL STATEMENTS
AND SUPPLEMENT SCHEDULES**

**CITY OF KANKAKEE, ILLINOIS
MAJOR FUNDS**

General Fund

Accounts for all financial resources traditionally associated with governments which are not required to be accounted for in another fund.

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CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF REVENUES AND COMPARISON TO BUDGET
GENERAL FUND
For the year ended April 30, 2005
(With comparative totals for 2004)

	<u>Budgeted Amount</u>		<u>2005</u>	<u>2004</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Actual</u>
Revenues:				
Taxes:				
Property taxes	\$ 3,251,110	\$ 3,251,110	\$ 3,355,494	\$ 3,064,890
State income tax	1,773,170	1,773,170	1,861,131	1,658,379
Local use tax	247,419	247,419	294,072	267,386
State replacement income tax	405,000	405,000	536,390	458,437
Illinois retailers' tax	18,987,000	18,987,000	22,351,192	14,998,867
Less: sales tax incentives	(14,286,000)	(14,286,000)	(17,066,791)	(10,701,236)
Utility taxes	3,150,000	3,150,000	3,314,122	3,243,741
Total taxes	<u>13,527,699</u>	<u>13,527,699</u>	<u>14,645,610</u>	<u>12,990,464</u>
Licenses, permits and fees:				
Business licenses	90,000	90,000	106,380	104,080
Vehicle sticker fees	410,000	410,000	23,920	389,957
Other licenses	60,000	60,000	72,704	39,014
Franchise fees	200,000	200,000	237,386	212,515
Ambulance fees	315,000	315,000	314,841	336,014
Community oriented policing fee	460,000	460,000	455,512	443,996
Other permits and fees	125,000	125,000	146,843	87,408
Total licenses, permits and fees	<u>1,660,000</u>	<u>1,660,000</u>	<u>1,357,586</u>	<u>1,612,984</u>
Intergovernmental:				
Grants from other governmental agencies	<u>361,740</u>	<u>361,740</u>	<u>284,158</u>	<u>358,274</u>
Charges for services:				
Kankakee Municipal Utility	88,286	88,286	89,906	50,040
KRMA	50,000	50,000	50,000	50,000
Department of public works	380,000	380,000	541,321	269,522
Community Development Agency	183,700	183,700	142,000	77,000
Fire department	83,500	83,500	61,118	66,203
Police department	20,000	20,000	16,098	14,180
Total charges for services	<u>805,486</u>	<u>805,486</u>	<u>900,443</u>	<u>526,945</u>
Fines:				
Traffic fines	<u>688,000</u>	<u>688,000</u>	<u>752,054</u>	<u>693,275</u>
Interest	<u>20,000</u>	<u>20,000</u>	<u>64,248</u>	<u>39,327</u>
Miscellaneous revenues:				
Foreign fire insurance tax	35,000	35,000	38,656	38,164
Transportation support	15,000	15,000	15,000	15,000
Other revenues	85,000	85,000	118,804	140,357
Total miscellaneous revenues	<u>135,000</u>	<u>135,000</u>	<u>172,460</u>	<u>193,521</u>
Total revenues	<u>\$17,197,925</u>	<u>\$17,197,925</u>	<u>\$18,176,559</u>	<u>\$16,414,790</u>

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EXPENDITURES AND COMPARISON TO BUDGET
GENERAL FUND
For the year ended April 30, 2005
(With comparative totals for 2004)

	Budgeted Amount		2005 Actual	2004 Actual
	Original	Final		
General city government:				
Council	\$ 117,000	\$ 117,000	\$ 123,391	\$ 118,070
Mayor	66,100	66,100	72,892	93,477
Commissions and boards	46,700	46,700	56,201	21,848
City clerk	104,710	104,710	95,644	83,414
Adjudication	123,482	123,482	157,305	116,683
Central services	391,950	391,950	273,818	267,918
Collection	84,400	84,400	82,143	112,369
Computer operations	25,750	25,750	80,745	67,558
Corporate counsel	141,850	141,850	175,973	136,658
City planning	44,100	44,100	39,564	60,484
Public buildings and grounds	134,975	134,975	116,000	142,195
Community promotion	77,500	77,500	66,900	69,026
Human relations	70,910	70,910	78,692	72,220
Group insurance	1,245,205	1,245,205	1,475,359	1,061,232
Liability and workers compensation insurance	1,200,000	1,200,000	1,367,071	1,327,415
Unemployment tax	40,000	40,000	80,274	64,346
Transportation support	64,000	64,000	63,250	63,139
Other	329,800	329,800	118,570	72,058
Total general city government	<u>4,308,432</u>	<u>4,308,432</u>	<u>4,523,792</u>	<u>3,950,110</u>
Public safety - police department:				
Administration and operations	4,053,181	4,053,181	4,303,342	4,057,194
Community oriented policing unit	400,200	400,200	469,403	737,000
Training	30,900	30,900	21,027	12,691
Records	201,926	201,926	121,017	121,303
Communications	726,527	726,527	720,283	584,562
Detention and custody	24,300	24,300	16,973	28,356
Pension contribution	856,688	856,688	954,259	856,688
Total public safety - police department	<u>6,293,722</u>	<u>6,293,722</u>	<u>6,606,304</u>	<u>6,397,794</u>
Public safety - fire department:				
Administration	410,125	410,125	477,656	426,644
Training	84,400	84,400	93,321	86,454
Alarm and communications system	38,000	38,000	36,332	16,550
Fire prevention	91,500	91,500	106,085	90,401
Fire fighting force	1,627,800	1,627,800	1,734,367	1,433,970
Emergency service	737,100	737,100	838,771	774,964
Foreign fire insurance tax	35,000	35,000	38,656	38,164
Pension contribution	984,722	984,722	1,090,926	984,710
Total public safety - fire department	<u>4,008,647</u>	<u>4,008,647</u>	<u>4,416,114</u>	<u>3,851,857</u>

(Continued)

CITY OF KANAKEE, ILLINOIS
SCHEDULE OF EXPENDITURES AND COMPARISON TO BUDGET
GENERAL FUND
(Continued)
For the year ended April 30, 2005
(With comparative totals for 2004)

	Bugeted Amount		2005 Actual	2004 Actual
	Original	Final		
Public safety - code enforcement:				
Property maintenance	\$ 492,705	\$ 492,705	\$ 503,845	\$ 553,401
Building safety	91,986	91,986	62,606	
Total public safety - code enforcement	584,691	584,691	566,451	553,401
Public safety:				
Animal control	25,500	25,500	29,905	18,825
Department of public works:				
Administration and operations	171,340	171,340	177,702	183,484
Streets and alleys	257,108	257,108	390,572	393,828
City garage	223,693	223,693	344,800	527,807
Operations	906,940	906,940	893,924	848,410
Total department of public works	1,559,081	1,559,081	1,806,998	1,953,529
Community development:				
Residential rehabilitation			31,279	77,365
Economic development:				
Incentives	16,250	16,250	32,017	22,087
Debt service:				
Principal retirement			29,856	12,524
Interest and other fixed charges			4,512	111
Total debt service	-0-	-0-	34,368	12,635
Total expenditures	\$16,796,323	\$16,796,323	\$18,047,228	\$16,837,603

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**CITY OF KANKAKEE, ILLINOIS
NONMAJOR GOVERNMENTAL FUNDS**

SPECIAL REVENUE FUNDS

Civil Defense Fund

Accounts for the revenues and expenditures to operate the City's civil defense system.

Band Fund

Accounts for the revenues and expenditures related to the City's financial support provided to the Kankakee Municipal Band.

Park Fund

Accounts for the revenues and expenditures necessary to maintain the existing City park facilities.

Illinois Municipal Retirement Fund

Accounts for the expenditures related to the state-administered retirement system which is available to all general service employees and which is financed through taxation and contributions from employees.

Motor Fuel Tax Fund

Accounts for the expenditures related to state-approved projects which are financed from the local share of the state gasoline tax as collected and distributed by the State of Illinois.

Special Service Area No. 2

Accounts for the revenues and expenditures related to the Riverview Historic District lighting improvement project which was financed through local borrowing, property taxes and federal participation.

Community Development Agency

Accounts for the revenues and expenditures of the Community Development Block Grant Program and various other federal grant programs.

Special Service Area No. 3

Accounts for the revenues and expenditures related to the Coachlight Square lighting improvement project which was financed through local borrowing and property taxes.

Senior Aides Program Fund

Accounts for the federal revenues and related expenditures of the Senior Community Service Employment Program administered by Senior Service America, Inc.

Tax Increment Financing Districts Nos. 1, 2, 3, 4, 5, 6, 7 and 8

TIF Districts No. 1, 2, 3, 4, 5, 6, 7 and 8 are trust funds established to finance redevelopment project costs in connection with various "blighted redevelopment project areas" throughout the City. The project areas are redeveloped through the use of incremental property tax revenues derived from the tax rates of other taxing districts located in the area.

DEBT SERVICE FUNDS

General Obligations Bonds

Various general obligation serial bonds issued are set apart as individual funds that are used to account for the accumulation of resources for and the payment of debt principal, interest and related costs.

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CITY OF KANKAKEE, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
April 30, 2005

	Special Revenue	Debt Service	Total Nonmajor Governmental Funds
Assets			
Cash and investments	\$ 5,297,442	\$1,409,532	\$ 6,706,974
Receivables, less allowance for uncollectible amounts:			
Property taxes	2,999,800	2,954,074	5,953,874
Due from other governmental agencies	193,462		193,462
Due from other funds	264,262	106,812	371,074
Due from component units	3,930		3,930
Accounts receivable	352,256		352,256
 Total assets	 <u>\$ 9,111,152</u>	 <u>\$4,470,418</u>	 <u>\$ 13,581,570</u>
Liabilities			
Accounts payable	\$ 121,453		\$ 121,453
Accrued wages payable	26,273		26,273
Interest payable		\$ 7,156	7,156
Due to other funds	1,232,071	42,228	1,274,299
Deferred revenue	4,487,112	2,954,074	7,441,186
 Total liabilities	 <u>5,866,909</u>	 <u>3,003,458</u>	 <u>8,870,367</u>
Fund Balance			
Reserved for debt service		1,500,561	1,500,561
Reserved for unexpended street maintenance programs	139,863		139,863
Reserved for economic development	1,861,269		1,861,269
Unreserved, reported in:			
Special Revenue Funds	1,243,111		1,243,111
Debt Service Funds		(33,601)	(33,601)
 Total fund balance	 <u>3,244,243</u>	 <u>1,466,960</u>	 <u>4,711,203</u>
 Total liabilities and fund balance	 <u>\$ 9,111,152</u>	 <u>\$4,470,418</u>	 <u>\$ 13,581,570</u>

CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended April 30, 2005

	Special Revenue	Debt Service	Total Nonmajor Governmental Funds
Revenues:			
Property taxes	\$2,680,894	\$2,493,912	\$5,174,806
Intergovernmental	4,674,295		4,674,295
Interest income	67,752	28,387	96,139
Miscellaneous	28,800		28,800
Contribution from component unit		88,390	88,390
Total revenues	<u>7,451,741</u>	<u>2,610,689</u>	<u>10,062,430</u>
Expenditures:			
Current:			
General government	590,890		590,890
Public safety	73,919		73,919
Public works	213,209		213,209
Highways and streets	2,067,006		2,067,006
Community development	2,574,145		2,574,145
Culture and recreation	61,735		61,735
Economic development	654,538		654,538
Debt Service:			
Principal retirement	205,914	2,270,000	2,475,914
Interest and fiscal charges	23,837	1,969,260	1,993,097
Total expenditures	<u>6,465,193</u>	<u>4,239,260</u>	<u>10,704,453</u>
Excess (deficiency) of revenues over expenditures	<u>986,548</u>	<u>(1,628,571)</u>	<u>(642,023)</u>
Other financing sources (uses):			
Transfers:			
From other funds		1,214,604	1,214,604
To other funds	(1,456,444)	(8,236)	(1,464,680)
Proceeds from premium on bond issuance		57,525	57,525
Proceeds from debt refunding		3,160,000	3,160,000
Payment to refunded debt escrow agent		(3,136,096)	(3,136,096)
Proceeds from capital lease	18,259		18,259
Total other financing sources (uses)	<u>(1,438,185)</u>	<u>1,287,797</u>	<u>(150,388)</u>
Net change in fund balances	<u>(451,637)</u>	<u>(340,774)</u>	<u>(792,411)</u>
Fund balance, May 1, 2004	3,057,968	1,807,734	4,865,702
Prior period adjustment	637,912		637,912
Fund balance, May 1, 2004, restated	<u>3,695,880</u>	<u>1,807,734</u>	<u>5,503,614</u>
Fund balance, April 30, 2005	<u>\$3,244,243</u>	<u>\$1,466,960</u>	<u>\$4,711,203</u>

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CITY OF KANKAKEE, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
April 30, 2005

	Civil Defense Fund	Band Fund	Park Fund	Illinois Municipal Retirement Fund	Motor Fuel Tax Fund
Assets					
Cash and investments	\$ 17,189	\$ 7,946	\$ 16,627	\$ 463,382	\$1,327,425
Receivables, less allowance for uncollectible amounts:					
Property taxes		13,000	35,000	495,000	
Due from other governmental agencies					65,269
Due from other funds				2,901	
Due from component units				3,930	
Accounts receivable				184	
Total assets	<u>\$ 17,189</u>	<u>\$ 20,946</u>	<u>\$ 51,627</u>	<u>\$ 965,397</u>	<u>\$1,392,694</u>
Liabilities					
Accounts payable					\$ 43,751
Accrued wages payable			\$ 1,585	\$ 24,688	
Due to other funds					97,725
Deferred revenue		\$ 13,000	35,000	495,000	742,251
Total liabilities	<u>\$ -0-</u>	<u>13,000</u>	<u>36,585</u>	<u>519,688</u>	<u>883,727</u>
Fund Balance					
Reserved for unexpended street maintenance programs					139,863
Reserved for economic development					
Unreserved - undesignated	17,189	7,946	15,042	445,709	369,104
Total fund balance	<u>17,189</u>	<u>7,946</u>	<u>15,042</u>	<u>445,709</u>	<u>508,967</u>
Total liabilities and fund balance	<u>\$ 17,189</u>	<u>\$ 20,946</u>	<u>\$ 51,627</u>	<u>\$ 965,397</u>	<u>\$1,392,694</u>

<u>Special Service Area No. 2</u>	<u>Special Service Area No. 3</u>	<u>Community Development Agency</u>	<u>Senior Aides Program Fund</u>	<u>Tax Increment Financing District No. 1 Fund</u>	<u>Tax Increment Financing District No. 2 Fund</u>	<u>Tax Increment Financing District No. 3 Fund</u>	<u>Tax Increment Financing District No. 4 Fund</u>
\$ 9,543	\$ 27,175	\$ 368,618	\$ 2,108		\$ 531,550	\$ 215,531	\$ 258,706
3,000	52,700			\$ 554,200	386,100	322,700	603,300
		113,184	15,009		244,094		
		53,669					298,403
<u>\$ 12,543</u>	<u>\$ 79,875</u>	<u>\$ 535,471</u>	<u>\$ 17,117</u>	<u>\$ 554,200</u>	<u>\$1,161,744</u>	<u>\$ 538,231</u>	<u>\$1,160,409</u>
	\$ 1,240	\$ 37,226			\$ 39,090		\$ 146
		91,078	\$ 15,008	\$ 520,807	200,000	\$ 100,000	185,000
\$ 3,000	52,700	56,633		33,393	922,654	438,231	975,263
<u>3,000</u>	<u>53,940</u>	<u>184,937</u>	<u>15,008</u>	<u>554,200</u>	<u>1,161,744</u>	<u>538,231</u>	<u>1,160,409</u>
9,543	25,935	350,534	2,109				
<u>9,543</u>	<u>25,935</u>	<u>350,534</u>	<u>2,109</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ 12,543</u>	<u>\$ 79,875</u>	<u>\$ 535,471</u>	<u>\$ 17,117</u>	<u>\$ 554,200</u>	<u>\$1,161,744</u>	<u>\$ 538,231</u>	<u>\$1,160,409</u>

(Continued)

CITY OF KANKAKEE, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
(Continued)
April 30, 2005

	Tax Increment Financing District No. 5 Fund	Tax Increment Financing District No. 6 Fund	Tax Increment Financing District No. 7 Fund	Tax Increment Financing District No. 8 Fund	Total
Assets					
Cash and investments	\$ 26,008	\$ 131,588	\$ 38,581	\$1,855,465	\$5,297,442
Receivables, less allowance for uncollectible amounts:					
Property taxes	143,300	178,000	54,300	159,200	2,999,800
Due from other governmental agencies					193,462
Due from other funds		11,369		5,898	264,262
Due from component units					3,930
Accounts receivable					352,256
Total assets	<u>\$ 169,308</u>	<u>\$ 320,957</u>	<u>\$ 92,881</u>	<u>\$2,020,563</u>	<u>\$9,111,152</u>
Liabilities					
Accounts payable					\$ 121,453
Accrued wages payable					26,273
Due to other funds	\$ 14,730	\$ 7,629		\$ 94	1,232,071
Deferred revenue	154,578	313,328	\$ 92,881	159,200	4,487,112
Total liabilities	<u>169,308</u>	<u>320,957</u>	<u>92,881</u>	<u>159,294</u>	<u>5,866,909</u>
Fund Balance					
Reserved for unexpended street maintenance programs					139,863
Reserved for economic development				1,861,269	1,861,269
Unreserved - undesignated					1,243,111
Total fund balance	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,861,269</u>	<u>3,244,243</u>
Total liabilities and fund balance	<u>\$ 169,308</u>	<u>\$ 320,957</u>	<u>\$ 92,881</u>	<u>\$2,020,563</u>	<u>\$9,111,152</u>

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CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the year ended April 30, 2005

	Civil Defense Fund	Band Fund	Park Fund	Illinois Municipal Retirement Fund	Motor Fuel Tax Fund
Revenues:					
Property taxes		\$ 14,504	\$ 35,231	\$ 493,263	
Intergovernmental					\$1,777,233
Interest income		10	24	332	27,787
Miscellaneous					
Total revenues	\$ -0-	14,514	35,255	493,595	1,805,020
Expenditures:					
Current:					
General government				152,804	
Public safety				73,919	
Public works				213,209	
Highways and streets					2,067,006
Community development					
Culture and recreation		13,000	41,218	7,517	
Economic development					
Debt Service:					
Principal retirement					
Interest and fiscal charges					
Total expenditures	-0-	13,000	41,218	447,449	2,067,006
Excess (deficiency) of revenues over expenditures	-0-	1,514	(5,963)	46,146	(261,986)
Other financing sources (uses):					
Transfers to other funds					
Proceeds from capital lease					
Total other financing sources (uses)	-0-	-0-	-0-	-0-	-0-
Net change in fund balances	-0-	1,514	(5,963)	46,146	(261,986)
Fund balance, May 1, 2004	17,189	6,432	21,005	399,563	770,953
Prior period adjustment					
Fund balance, May 1, 2004, restated	17,189	6,432	21,005	399,563	770,953
Fund balance, April 30, 2005	\$ 17,189	\$ 7,946	\$ 15,042	\$ 445,709	\$ 508,967

Special Service Area No. 2	Special Service Area No. 3	Community Development Agency	Senior Aides Program Fund	Tax Increment Financing District No. 1 Fund	Tax Increment Financing District No. 2 Fund	Tax Increment Financing District No. 3 Fund	Tax Increment Financing District No. 4 Fund
\$ 3,048	\$ 52,407			\$ 444,031	\$ 555,993	\$ 200,189	\$ 467,134
2	35	\$ 2,704,142	\$ 192,920				
		5,601	25	2,983	6,719	1,965	3,150
		28,800					
<u>3,050</u>	<u>52,442</u>	<u>2,738,543</u>	<u>192,945</u>	<u>447,014</u>	<u>562,712</u>	<u>202,154</u>	<u>470,284</u>
	4,755	222,517	192,772	2,347	3,712	2,347	3,697
		2,574,145					
				(1,136)	286,640	99,807	244,227
	40,207	165,707					
	8,279	15,558					
<u>-0-</u>	<u>53,241</u>	<u>2,977,927</u>	<u>192,772</u>	<u>1,211</u>	<u>290,352</u>	<u>102,154</u>	<u>247,924</u>
3,050	(799)	(239,384)	173	445,803	272,360	100,000	222,360
				(445,803)	(272,360)	(100,000)	(222,360)
		18,259					
<u>-0-</u>	<u>-0-</u>	<u>18,259</u>	<u>-0-</u>	<u>(445,803)</u>	<u>(272,360)</u>	<u>(100,000)</u>	<u>(222,360)</u>
3,050	(799)	(221,125)	173	-0-	-0-	-0-	-0-
6,493	26,734	571,659	1,936				
6,493	26,734	571,659	1,936	-0-	-0-	-0-	-0-
<u>\$ 9,543</u>	<u>\$ 25,935</u>	<u>\$ 350,534</u>	<u>\$ 2,109</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

(Continued)

CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS

(Continued)

For the year ended April 30, 2005

	Tax Increment Financing District No. 5 Fund	Tax Increment Financing District No. 6 Fund	Tax Increment Financing District No. 7 Fund	Tax Increment Financing District No. 8 Fund	Total
Revenues:					
Property taxes	\$ 156,989	\$ 226,430	\$ 31,675		\$ 2,680,894
Intergovernmental					4,674,295
Interest income	409	1,612	1,362	\$ 15,736	67,752
Miscellaneous					28,800
Total revenues	<u>157,398</u>	<u>228,042</u>	<u>33,037</u>	<u>15,736</u>	<u>7,451,741</u>
Expenditures:					
Current:					
General government	597	597	1,362	3,383	590,890
Public safety					73,919
Public works					213,209
Highways and streets					2,067,006
Community development					2,574,145
Culture and recreation					61,735
Economic development				25,000	654,538
Debt Service:					
Principal retirement					205,914
Interest and fiscal charges					23,837
Total expenditures	<u>597</u>	<u>597</u>	<u>1,362</u>	<u>28,383</u>	<u>6,465,193</u>
Excess (deficiency) of revenues over expenditures	<u>156,801</u>	<u>227,445</u>	<u>31,675</u>	<u>(12,647)</u>	<u>986,548</u>
Other financing sources (uses):					
Transfers to other funds	(156,801)	(227,445)	(31,675)		(1,456,444)
Proceeds from capital lease					18,259
Total other financing sources (uses)	<u>(156,801)</u>	<u>(227,445)</u>	<u>(31,675)</u>	<u>-0-</u>	<u>(1,438,185)</u>
Net change in fund balances	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(12,647)</u>	<u>(451,637)</u>
Fund balance, May 1, 2004				1,236,004	3,057,968
Prior period adjustment				637,912	637,912
Fund balance, May 1, 2004, restated	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,873,916</u>	<u>3,695,880</u>
Fund balance, April 30, 2005	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,861,269</u>	<u>\$ 3,244,243</u>

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
BAND FUND
For the year ended April 30, 2005

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u> <u>Over (Under)</u>
Revenues:				
Property taxes	\$ 13,000	\$ 13,000	\$ 14,504	\$ 1,504
Interest income			10	10
Total revenues	<u>13,000</u>	<u>13,000</u>	<u>14,514</u>	<u>1,514</u>
Expenditures:				
Current:				
Culture and recreation	<u>13,000</u>	<u>13,000</u>	<u>13,000</u>	<u>-0-</u>
Net change in fund balance	<u>\$ -0-</u>	<u>\$ -0-</u>	1,514	<u>\$ 1,514</u>
Fund balance, May 1, 2004			6,432	
Fund balance, April 30, 2005			<u>\$ 7,946</u>	

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
PARK FUND
For the year ended April 30, 2005

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
				<u>Over (Under)</u>
Revenues:				
Property taxes	\$35,000	\$35,000	\$ 35,231	\$ 231
Interest income			24	24
Total revenues	<u>35,000</u>	<u>35,000</u>	<u>35,255</u>	<u>255</u>
Expenditures:				
Current:				
Culture and recreation	<u>35,000</u>	<u>35,000</u>	<u>41,218</u>	<u>6,218</u>
Net change in fund balance	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>(5,963)</u>	<u>\$ (5,963)</u>
Fund balance, May 1, 2004			21,005	
Fund balance, April 30, 2005			<u>\$ 15,042</u>	

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ILLINOIS MUNICIPAL RETIREMENT FUND
For the year ended April 30, 2005

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
				<u>Over (Under)</u>
Revenues:				
Property taxes	\$ 495,000	\$ 495,000	\$ 493,263	\$ (1,737)
Interest income			332	332
Total revenues	<u>495,000</u>	<u>495,000</u>	<u>493,595</u>	<u>(1,405)</u>
Expenditures:				
Current:				
General government	169,042	169,042	152,804	(16,238)
Public safety	81,774	81,774	73,919	(7,855)
Public works	235,868	235,868	213,209	(22,659)
Culture and recreation	8,316	8,316	7,517	(799)
Total expenditures	<u>495,000</u>	<u>495,000</u>	<u>447,449</u>	<u>(47,551)</u>
Net change in fund balance	<u>\$ -0-</u>	<u>\$ -0-</u>	46,146	<u>\$ 46,146</u>
Fund balance, May 1, 2004			399,563	
Fund balance, April 30, 2005			<u>\$ 445,709</u>	

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL SERVICE AREA NO. 2
For the year ended April 30, 2005

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
				<u>Over (Under)</u>
Revenues:				
Property taxes	\$ 3,000	\$ 3,000	\$ 3,048	\$ 48
Interest income			2	2
Total revenues	<u>3,000</u>	<u>3,000</u>	<u>3,050</u>	<u>50</u>
Expenditures:				
Current:				
General government	3,000	3,000	-0-	(3,000)
Total expenditures	<u>3,000</u>	<u>3,000</u>	<u>-0-</u>	<u>(3,000)</u>
Net change in fund balance	<u>\$ -0-</u>	<u>\$ -0-</u>	3,050	<u>\$ 3,050</u>
Fund balance, May 1, 2004			6,493	
Fund balance, April 30, 2005			<u>\$ 9,543</u>	

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**CITY OF KANKAKEE, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
April 30, 2005**

	General Obligation Bonds, Series 1995	General Obligation Bonds, Series 1997	General Obligation Bonds, Series 1998	General Obligation Bonds, Series 1998A
Assets				
Cash and investments			\$ 121,865	\$ 96,760
Receivables, less allowance for uncollectible amounts:				
Property taxes	\$ 229,800	\$ 253,062	12,156	536,358
Due from other funds	2,729		43,508	
Total assets	<u>\$ 232,529</u>	<u>\$ 253,062</u>	<u>\$ 177,529</u>	<u>\$ 633,118</u>
Liabilities				
Interest payable				
Due to other funds	\$ 4,341	\$ 15,234		
Deferred revenue	229,800	253,062	\$ 12,156	\$ 536,358
Total liabilities	<u>234,141</u>	<u>268,296</u>	<u>12,156</u>	<u>536,358</u>
Fund Balance				
Reserved for debt service			165,373	96,760
Unreserved - undesignated	(1,612)	(15,234)		
Total fund balance (deficit)	<u>(1,612)</u>	<u>(15,234)</u>	<u>165,373</u>	<u>96,760</u>
Total liabilities and fund balance	<u>\$ 232,529</u>	<u>\$ 253,062</u>	<u>\$ 177,529</u>	<u>\$ 633,118</u>

General Obligation Bonds, Series 1999	General Obligation Bonds, Series 2000A	General Obligation Bonds, Series 2000B	General Obligation Bonds, Series 2001A	General Obligation Bonds, Series 2001B	General Obligation Bonds, Series 2001C	General Obligation Bonds, Series 2003A
\$ 32,244			\$ 240,350			\$ 14,600
797,302	\$ 369,105		60,575			101,699
<u>\$ 829,546</u>	<u>\$ 369,105</u>	<u>\$ -0-</u>	<u>\$ 300,925</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 116,299</u>
\$ 797,302	\$ 16,755 369,105					\$ 101,699
<u>797,302</u>	<u>385,860</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>101,699</u>
32,244	(16,755)		300,925			14,600
<u>32,244</u>	<u>(16,755)</u>	<u>-0-</u>	<u>300,925</u>	<u>-0-</u>	<u>-0-</u>	<u>14,600</u>
<u>\$ 829,546</u>	<u>\$ 369,105</u>	<u>\$ -0-</u>	<u>\$ 300,925</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 116,299</u>

(Continued)

CITY OF KANKAKEE, ILLINOIS
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
(Continued)
April 30, 2005

	General Obligation Bonds, Series 2003B	General Obligation Bonds, Series 2003-Exit 308	General Obligation Bonds, Series 2004	General Obligation Bonds, Series 2005	Total
Assets					
Cash and investments		\$ 892,847	\$ 3,681	\$ 7,185	\$1,409,532
Receivables, less allowance for uncollectible amounts:					
Property taxes			372,378	282,214	2,954,074
Due from other funds					106,812
Total assets	<u>\$ -0-</u>	<u>\$ 892,847</u>	<u>\$ 376,059</u>	<u>\$ 289,399</u>	<u>\$4,470,418</u>
Liabilities					
Interest payable				\$ 7,156	\$ 7,156
Due to other funds		\$ 5,898			42,228
Deferred revenue			\$ 372,378	282,214	2,954,074
Total liabilities	<u>\$ -0-</u>	<u>5,898</u>	<u>372,378</u>	<u>289,370</u>	<u>3,003,458</u>
Fund Balance					
Reserved for debt service		886,949	3,681	29	1,500,561
Unreserved - undesignated					(33,601)
Total fund balance	<u>-0-</u>	<u>886,949</u>	<u>3,681</u>	<u>29</u>	<u>1,466,960</u>
Total liabilities and fund balance	<u>\$ -0-</u>	<u>\$ 892,847</u>	<u>\$ 376,059</u>	<u>\$ 289,399</u>	<u>\$4,470,418</u>

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CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
For the year ended April 30, 2005

	General Obligation Bonds, Series 1995	General Obligation Bonds, Series 1997	General Obligation Bonds, Series 1998	General Obligation Bonds, Series 1998A
Revenues:				
Property taxes	\$ 186,001	\$ 153,343		\$ 609,243
Interest income	980		\$ 2,384	3,886
Contribution from component unit				
Total revenues	<u>186,981</u>	<u>153,343</u>	<u>2,384</u>	<u>613,129</u>
Expenditures:				
Debt service:				
Principal retirement	225,000	110,000	75,000	335,000
Interest and fiscal charges	40,488	43,343	225,639	277,270
Total expenditures	<u>265,488</u>	<u>153,343</u>	<u>300,639</u>	<u>612,270</u>
Excess (deficiency) of revenues over expenditures	<u>(78,507)</u>	<u>0</u>	<u>(298,255)</u>	<u>859</u>
Other financing sources (uses):				
Transfers:				
From other funds	78,563		227,445	
To other funds			(8,236)	
Proceeds from premium on bond issuance			57,525	
Proceeds from debt refunding			3,160,000	
Payment to refunded debt escrow agent			(3,136,096)	
Total other financing sources (uses)	<u>78,563</u>	<u>-0-</u>	<u>300,638</u>	<u>0</u>
Net change in fund balance	56	0	2,383	859
Fund balance (deficit), May 1, 2004	(1,668)	(15,234)	162,990	95,901
Fund balance (deficit), April 30, 2005	<u>\$ (1,612)</u>	<u>\$ (15,234)</u>	<u>\$ 165,373</u>	<u>\$ 96,760</u>

General Obligation Bonds, Series 1999	General Obligation Bonds, Series 2000A	General Obligation Bonds, Series 2000B	General Obligation Bonds, Series 2001A	General Obligation Bonds, Series 2001B	General Obligation Bonds, Series 2001C	General Obligation Bonds, Series 2003A
\$ 795,153 3,701	\$ 344,051 1,259		\$ 1,893 88,390			\$ 101,125 582
<u>798,854</u>	<u>345,310</u>	<u>\$ -0-</u>	<u>90,283</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>101,707</u>
545,000 254,103	195,000 194,615	425,000 19,763	80,000 129,440	60,000 12,360	60,000 12,360	174,219
<u>799,103</u>	<u>389,615</u>	<u>444,763</u>	<u>209,440</u>	<u>72,360</u>	<u>72,360</u>	<u>174,219</u>
<u>(249)</u>	<u>(44,305)</u>	<u>(444,763)</u>	<u>(119,157)</u>	<u>(72,360)</u>	<u>(72,360)</u>	<u>(72,512)</u>
	31,675	444,763	121,050	72,360	72,360	87,109
<u>-0-</u>	<u>31,675</u>	<u>444,763</u>	<u>121,050</u>	<u>72,360</u>	<u>72,360</u>	<u>87,109</u>
(249)	(12,630)	-0-	1,893	-0-	-0-	14,597
32,493	(4,125)		299,032			3
<u>\$ 32,244</u>	<u>\$ (16,755)</u>	<u>\$ -0-</u>	<u>\$ 300,925</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 14,600</u>

(Continued)

CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
(Continued)

For the year ended April 30, 2005

	General Obligation Bonds, Series 2003B	General Obligation Bonds, Series 2003-Exit 308	General Obligation Bonds, Series 2004	General Obligation Bonds, Series 2005	Total
Revenues:					
Taxes			\$ 304,996		\$2,493,912
Interest income	\$ 895	\$ 10,937	1,841	\$ 29	28,387
Contribution from component unit					88,390
Total revenues	<u>895</u>	<u>10,937</u>	<u>306,837</u>	<u>29</u>	<u>2,610,689</u>
Expenditures:					
Debt service:					
Principal retirement			160,000		2,270,000
Interest and fiscal charges	204,525	159,740	221,395		1,969,260
Total expenditures	<u>204,525</u>	<u>159,740</u>	<u>381,395</u>	<u>-0-</u>	<u>4,239,260</u>
Excess (deficiency) of revenues over expenditures	<u>(203,630)</u>	<u>(148,803)</u>	<u>(74,558)</u>	<u>29</u>	<u>(1,628,571)</u>
Other financing sources (uses):					
Transfers:					
From other funds	1,040		78,239		1,214,604
To other funds					(8,236)
Proceeds from premium on bond issuance					57,525
Proceeds from debt refunding					3,160,000
Payment to refunded debt escrow agent					(3,136,096)
Total other financing sources (uses)	<u>1,040</u>	<u>-0-</u>	<u>78,239</u>	<u>-0-</u>	<u>1,287,797</u>
Net change in fund balance	(202,590)	(148,803)	3,681	29	(340,774)
Fund balance, May 1, 2004	202,590	1,035,752			1,807,734
Fund balance, April 30, 2005	<u>\$ -0-</u>	<u>\$ 886,949</u>	<u>\$ 3,681</u>	<u>\$ 29</u>	<u>\$1,466,960</u>

**CITY OF KANKAKEE, ILLINOIS
FIDUCIARY FUNDS**

Police Pension Fund

A pension trust which accounts for the police officers' pension. Revenue includes City contributions, contributions from participants and investment earnings.

Firemen's Pension Fund

A pension trust which accounts for the firemen's pension. Revenue includes City contributions, contributions from participants and investment earnings.

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CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
April 30, 2005

	Police Pension Fund	Firemen's Pension Fund	Totals
Assets:			
Cash and short-term investments	\$ 573,733	\$ 644,770	\$ 1,218,503
Receivables, less allowance for uncollectible amounts:			
Employee contributions	15,898	10,452	26,350
Interest	30,530	50,187	80,717
Investments, at fair value:			
Open-end mutual funds	1,073,366	1,070,897	2,144,263
Certificates of deposits		246,749	246,749
Corporate securities	3,574,092	3,015,096	6,589,188
U. S. treasury and agency securities	4,995,536	4,089,658	9,085,194
Corporate bonds		88,752	88,752
Total assets	<u>10,263,155</u>	<u>9,216,561</u>	<u>19,479,716</u>
Liabilities:			
Accounts payable	118,957	150,949	269,906
Due to General Fund	900	958	1,858
Total liabilities	<u>119,857</u>	<u>151,907</u>	<u>271,764</u>
Net assets held in trust for pension benefits	<u>\$10,143,298</u>	<u>\$ 9,064,654</u>	<u>\$19,207,952</u>

CITY OF KANKAKEE, ILLINOIS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION TRUST FUNDS
For the year ended April 30, 2005

	Police Pension Fund	Firemen's Pension Fund	Totals
	<hr/>	<hr/>	<hr/>
Additions:			
Contributions:			
Employer	\$954,259	\$1,090,926	\$ 2,045,185
Employee	379,233	256,087	635,320
	<hr/>	<hr/>	<hr/>
Total contributions	1,333,492	1,347,013	2,680,505
	<hr/>	<hr/>	<hr/>
Investment income:			
Net appreciation (depreciation) in fair value of investments	155,301	(10,612)	144,689
Interest and dividends	262,999	291,228	554,227
	<hr/>	<hr/>	<hr/>
	418,300	280,616	698,916
	<hr/>	<hr/>	<hr/>
Less: investment expense	(70,525)	(61,182)	(131,707)
	<hr/>	<hr/>	<hr/>
Net investment income	347,775	219,434	567,209
	<hr/>	<hr/>	<hr/>
Total additions	1,681,267	1,566,447	3,247,714
	<hr/>	<hr/>	<hr/>
Deductions:			
Benefits	1,395,306	1,784,311	3,179,617
Refunds of contributions	6,887	15,737	22,624
Administrative expenses	20,583	46,797	67,380
	<hr/>	<hr/>	<hr/>
Total deductions	1,422,776	1,846,845	3,269,621
	<hr/>	<hr/>	<hr/>
Net increase (decrease)	258,491	(280,398)	(21,907)
	<hr/>	<hr/>	<hr/>
Net assets held in trust for pension benefits:			
May 1, 2004	9,884,807	9,345,052	19,229,859
	<hr/>	<hr/>	<hr/>
April 30, 2005	<u>\$ 10,143,298</u>	<u>\$ 9,064,654</u>	<u>\$ 19,207,952</u>

**CITY OF KANKAKEE, ILLINOIS
COMPONENT UNITS**

Kankakee Public Library

Accounts for the revenues and expenses of the local public library. Majority of the revenues are from a property tax levy approved by the City Council.

Special Service Area #1

Promotes and develops downtown Kankakee. Its major source of revenues is from a property tax levy approved by the City Council.

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CITY OF KANKAKEE, ILLINOIS
DISCRETELY PRESENTED COMPONENT UNIT - KANKAKEE PUBLIC LIBRARY
STATEMENT OF NET ASSETS AND GOVERNMENT FUND BALANCE SHEET
April 30, 2005

	<u>General Operating</u>	<u>Adjustment</u>	<u>Statement of Net Assets</u>
Assets:			
Cash and investments	\$ 210,174		\$ 210,174
Receivables, less allowance for uncollectible amounts:			
Property taxes	1,189,860		1,189,860
Capital assets:			
Depreciable (net of accumulated depreciation)		\$ 5,877,792	5,877,792
Total assets	<u>\$ 1,400,034</u>	<u>\$ 5,877,792</u>	<u>\$ 7,277,826</u>
Liabilities:			
Accounts payable	\$ 12,990		\$ 12,990
Due to primary government	103,647		103,647
Deferred revenue	1,189,860		1,189,860
Long-term liabilities:			
Due within one year		\$ 52,375	52,375
Due within more than one year		2,428,516	2,428,516
Total liabilities	<u>1,306,497</u>	<u>2,480,891</u>	<u>3,787,388</u>
Fund balances:			
Unreserved-undesignated	93,537	(93,537)	
Net assets:			
Invested in capital assets, net of related debt		3,396,901	3,396,901
Unrestricted		93,537	93,537
Total fund balances/net assets	<u>93,537</u>	<u>3,396,901</u>	<u>3,490,438</u>
Total liabilities and fund balances/net assets	<u>\$ 1,400,034</u>	<u>\$ 5,877,792</u>	<u>\$ 7,277,826</u>

CITY OF KANKAKEE, ILLINOIS
DISCRETELY PRESENTED COMPONENT UNIT - KANKAKEE PUBLIC LIBRARY
STATEMENT OF ACTIVITIES AND GOVERNMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the year ended April 30, 2005

	<u>General Operating</u>	<u>Adjustment</u>	<u>Statement of Activities</u>
Revenues:			
Property taxes	\$1,282,830		\$ 1,282,830
Fees	23,049		23,049
Intergovernmental	56,676		56,676
Interest	4,242		4,242
Other	3,989		3,989
	<u>1,370,786</u>	<u>\$ -0-</u>	<u>1,370,786</u>
Total revenues			
Expenditures/expenses:			
Current:			
Culture and recreation	1,037,874	98,900	1,136,774
Debt service:			
Principal retirement	54,469	(54,469)	-0-
Interest and fiscal charges	125,531		125,531
	<u>1,217,874</u>	<u>44,431</u>	<u>1,262,305</u>
Total expenditures/expenses			
Net change in fund balances/net assets	152,912	(44,431)	108,481
Fund balances/net assets at May 1, 2004	<u>(59,375)</u>	<u>3,441,332</u>	<u>3,381,957</u>
Fund balances/net assets at April 30, 2005	<u>\$ 93,537</u>	<u>\$ 3,396,901</u>	<u>\$ 3,490,438</u>

CITY OF KANKAKEE, ILLINOIS
DISCRETELY PRESENTED COMPONENT UNIT - SPECIAL SERVICE AREA NO. 1
STATEMENT OF NET ASSETS AND GOVERNMENT FUND BALANCE SHEET
April 30, 2005

	<u>General Operating</u>	<u>Adjustment</u>	<u>Statement of Net Assets</u>
Assets:			
Cash and investments	\$ 360,674		\$ 360,674
Receivables, less allowance for uncollectible amounts:			
Property taxes	109,700		109,700
Due from primary government	116,611		116,611
Other	4,393		4,393
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 591,378</u>	<u>\$ -0-</u>	<u>\$ 591,378</u>
Liabilities:			
Interest payable		\$ 2,000	\$ 2,000
Deferred revenue	\$ 109,700		109,700
Long-term liabilities:			
Due within one year		85,000	85,000
Due within more than one year		90,000	90,000
	<u>109,700</u>	<u>177,000</u>	<u>286,700</u>
Fund balances:			
Unreserved-undesignated	481,678	(481,678)	
Net assets:			
Unrestricted		304,678	304,678
	<u>481,678</u>	<u>(177,000)</u>	<u>304,678</u>
Total fund balances/net assets	<u>481,678</u>	<u>(177,000)</u>	<u>304,678</u>
	<u>\$ 591,378</u>	<u>\$ -0-</u>	<u>\$ 591,378</u>
Total liabilities and fund balances/net assets	<u>\$ 591,378</u>	<u>\$ -0-</u>	<u>\$ 591,378</u>

CITY OF KANKAKEE, ILLINOIS
DISCRETELY PRESENTED COMPONENT UNIT - SPECIAL SERVICE AREA NO. 1
STATEMENT OF ACTIVITIES AND GOVERNMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the year ended April 30, 2005

	<u>General Operating</u>	<u>Adjustment</u>	<u>Statement of Activities</u>
Revenues:			
Property taxes	\$116,942		\$ 116,942
Interest	3,542		3,542
Other	410		410
Contribution from primary government	116,611		116,611
Total revenues	<u>237,505</u>	<u>\$ -0-</u>	<u>237,505</u>
Expenditures/expenses:			
Current:			
General government	196,105		196,105
Debt service:			
Principal retirement	80,000	(80,000)	-0-
Interest and fiscal charges	8,390	(800)	7,590
Total expenditures/expenses	<u>284,495</u>	<u>(80,800)</u>	<u>203,695</u>
Net change in fund balances/net assets	(46,990)	80,800	33,810
Fund balances/net assets at May 1, 2004	<u>528,668</u>	<u>(257,800)</u>	<u>270,868</u>
Fund balances/net assets at April 30, 2005	<u>\$ 481,678</u>	<u>\$ (177,000)</u>	<u>\$ 304,678</u>

SUPPLEMENTAL SCHEDULES

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CITY OF KANKAKEE, ILLINOIS
PROPERTY TAXES RECEIVABLE
2004 LEVY TO BE COLLECTED IN 2005
April 30, 2005

	Taxes extended	Estimated losses	Estimated net taxes receivable
Primary government:			
General Fund	\$ 3,630,376	\$ 17,610	\$ 3,612,766
Special revenue funds:			
Park Fund	35,342	342	35,000
Band Fund	14,553	1,553	13,000
Illinois Municipal Retirement Fund	496,872	1,872	495,000
Special Service Area No. 2	3,017	17	3,000
Special Service Area No. 3	52,947	247	52,700
Tax Increment Financing District #1	554,212	12	554,200
Tax Increment Financing District #2	386,103	3	386,100
Tax Increment Financing District #3	322,763	63	322,700
Tax Increment Financing District #4	603,376	76	603,300
Tax Increment Financing District #5	143,342	42	143,300
Tax Increment Financing District #6	178,047	47	178,000
Tax Increment Financing District #7	54,389	89	54,300
Tax Increment Financing District #8	159,241	41	159,200
Total special revenue funds	<u>3,004,204</u>	<u>4,404</u>	<u>2,999,800</u>
Debt service funds	<u>2,954,203</u>	<u>129</u>	<u>2,954,074</u>
Total Primary Government	<u>\$ 9,588,783</u>	<u>\$ 22,143</u>	<u>\$ 9,566,640</u>
Component Units			
Special Service Area No. 1	\$ 110,346	\$ 646	\$ 109,700
Library	1,191,244	1,384	1,189,860
Total component units	<u>\$ 1,301,590</u>	<u>\$ 2,030</u>	<u>\$ 1,299,560</u>

**CITY OF KANKAKEE, ILLINOIS
PROPRIETARY FUND TYPES
KANKAKEE MUNICIPAL UTILITY
SCHEDULE OF BOND RATE COVENANT CALCULATION
APRIL 30, 2005**

Debt service requirements	\$ 905,823
120% covenant	<u>x120%</u>
 Total required revenues	 \$ <u>1,086,988</u>
 Net revenues generated by Kankakee Municipal Utility:	
Sewer charges	\$ 6,632,933
Field operations expenses	<u>(2,989,574)</u>
	3,643,359
 Kankakee Municipal Utility's share of Kankakee River Metropolitan Agency's plant operations expense	 (2,441,667)
Kankakee Municipal Utility's share of Kankakee River Metropolitan Agency's net income	23,812
Interest income	<u>53,591</u>
 Total net revenues available	 \$ <u>1,279,095</u>
 Bond covenant coverage	 \$ <u>192,107</u>

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CITY OF KANKAKEE, ILLINOIS
PROPRIETARY FUND TYPES
KANKAKEE MUNICIPAL UTILITY
SCHEDULE OF REVENUE BONDS PAYABLE
April 30, 2005

Series 1999			Series 2001	
Date of issue	April 22, 1999		December 1, 2001	
Interest rates	4.1% to 6.0%		2.45% to 5.00%	
Principal redemption date	May 1		May 1	
Interest payment dates	May 1 and November 1		May 1 and November 1	
Original issue	\$ 7,140,000		\$ 4,270,000	
Paid to date	1,670,000		665,000	
Balance, April 30, 2005	<u>\$ 5,470,000</u>		<u>\$ 3,605,000</u>	
Date as follows:				
Year ending April 30,	Principal	Interest	Principal	Interest
2006	\$ 340,000	\$ 257,477	\$ 150,000	\$ 160,453
2007	355,000	243,198	155,000	155,428
2008	370,000	227,932	160,000	150,003
2009	385,000	211,653	170,000	143,923
2010	405,000	194,327	175,000	137,208
2011	420,000	176,103	180,000	130,120
2012	440,000	156,782	190,000	122,650
2013	460,000	136,103	195,000	114,670
2014	485,000	114,022	205,000	106,188
2015	505,000	90,500	215,000	97,065
2016	530,000	65,250	225,000	87,498
2017	560,000	38,750	235,000	77,260
2018	215,000	10,750	245,000	66,215
2019			255,000	54,455
2020			270,000	42,088
2021			285,000	28,858
2022			295,000	14,750
	<u>\$ 5,470,000</u>	<u>\$ 1,922,847</u>	<u>\$ 3,605,000</u>	<u>\$ 1,688,832</u>

Totals

\$11,410,000

2,335,000

\$ 9,075,000

<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
\$ 490,000	\$ 417,930	\$ 907,930
510,000	398,626	908,626
530,000	377,935	907,935
555,000	355,576	910,576
580,000	331,535	911,535
600,000	306,223	906,223
630,000	279,432	909,432
655,000	250,773	905,773
690,000	220,210	910,210
720,000	187,565	907,565
755,000	152,748	907,748
795,000	116,010	911,010
460,000	76,965	536,965
255,000	54,455	309,455
270,000	42,088	312,088
285,000	28,858	313,858
295,000	14,750	309,750
<u>\$ 9,075,000</u>	<u>\$ 3,611,679</u>	<u>\$12,686,679</u>

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF GENERAL OBLIGATION BONDS PAYABLE
April 30, 2005

	Series 1995		Series 1997		Series 1998A	
Date of issue	December 1, 1995		April 1, 1997		December 15, 1998	
Interest rates	4.0% to 5.5%		4.1% to 5.3%		4.2% to 5.0%	
Principal redemption date	January 1		January 1		January 1	
Interest payment dates	July 1 and January 1		July 1 and January 1		July 1 and January 1	
Original issue	\$ 3,865,000		\$ 7,200,000		\$ 6,735,000	
Paid to date	<u>3,255,000</u>		<u>6,455,000</u>		<u>915,000</u>	
Balance, April 30, 2005	<u>\$ 610,000</u>		<u>\$ 745,000</u>		<u>\$ 5,820,000</u>	
Due as follows:						
Year ending April 30,	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 200,000	\$ 29,800	\$ 215,000	\$ 38,062	\$ 275,000	\$ 261,357
2007	200,000	20,300	40,000	27,527	125,000	247,607
2008	210,000	10,500	40,000	25,568	200,000	241,358
2009			40,000	23,568	500,000	231,357
2010			45,000	21,528	600,000	210,357
2011			160,000	19,187		184,858
2012			155,000	10,788		184,858
2013			50,000	2,650	1,085,000	184,858
2014					1,425,000	136,575
2015					1,610,000	72,450
2016						
2017						
2018						
2019						
2020						
2021						
2022						
2023						
2024						
2025						
	<u>\$ 610,000</u>	<u>\$ 60,600</u>	<u>\$ 745,000</u>	<u>\$ 168,878</u>	<u>\$5,820,000</u>	<u>\$1,955,635</u>

Series 1999A		Series 2000A		Series 2001A		Series 2001B	
February 1, 1999 3.8% to 4.8%		August 15, 2000 4.5% to 5.6%		December 1, 2001 2.10% to 4.5%		December 1, 2001 3.05% to 3.90%	
January 1		January 1		January 1		January 1	
July 1 and January 1		July 1 and January 1		July 1 and January 1		July 1 and January 1	
\$ 6,785,000		\$ 4,590,000		\$ 3,595,000		\$ 450,000	
<u>1,520,000</u>		<u>920,000</u>		<u>380,000</u>		<u>180,000</u>	
<u>\$ 5,265,000</u>		<u>\$ 3,670,000</u>		<u>\$ 3,215,000</u>		<u>\$ 270,000</u>	
Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
\$ 565,000	\$ 232,302	\$ 215,000	\$ 185,548	\$ 355,000	\$ 126,960	\$ 65,000	\$ 10,530
590,000	209,420	235,000	175,443	365,000	115,245	65,000	7,995
585,000	184,935	265,000	164,280	285,000	102,653	70,000	5,460
610,000	160,365	290,000	151,560	295,000	91,965	70,000	2,730
640,000	134,440	310,000	137,640	305,000	80,460		
215,000	106,600	345,000	122,140	320,000	68,260		
250,000	97,032	375,000	105,235	330,000	55,140		
610,000	85,658	405,000	86,485	345,000	41,445		
615,000	57,292	440,000	65,830	360,000	26,955		
585,000	28,080	430,000	42,950	255,000	11,475		
		25,000	20,160				
		25,000	18,760				
		30,000	17,360				
		30,000	15,680				
		35,000	14,000				
		35,000	12,040				
		40,000	10,080				
		45,000	7,840				
		45,000	5,320				
		50,000	2,800				
<u>\$5,265,000</u>	<u>\$1,296,124</u>	<u>\$3,670,000</u>	<u>\$1,361,151</u>	<u>\$3,215,000</u>	<u>\$ 720,558</u>	<u>\$ 270,000</u>	<u>\$ 26,715</u>

(Continued)

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF GENERAL OBLIGATION BONDS PAYABLE
(Continued)
April 30, 2005

	Series 2001C		Series 2003A		Series 2003B	
Date of issue	December 1, 2001		June 1, 2003		June 1, 2003	
Interest rates	3.05% to 3.90%		2.25% to 5.25%		2.25% to 5.25%	
Principal redemption date	January 1		January 1		January 1	
Interest payment dates	July 1 and January 1		July 1 and January 1		July 1 and January 1	
Original issue	\$ 450,000		\$ 3,960,000		\$ 4,860,000	
Paid to date	<u>180,000</u>		<u></u>		<u></u>	
Balance, April 30, 2005	<u>\$ 270,000</u>		<u>\$ 3,960,000</u>		<u>\$ 4,860,000</u>	
Due as follows:						
Year ending April 30,	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 65,000	\$ 10,530	\$ 35,000	\$ 174,219	\$ 250,000	\$ 204,525
2007	65,000	7,995	120,000	173,431	260,000	198,900
2008	70,000	5,460	200,000	170,431	270,000	192,400
2009	70,000	2,730	255,000	164,931	280,000	184,975
2010			85,000	157,281	295,000	176,575
2011			425,000	154,519	310,000	166,989
2012			510,000	140,175	325,000	156,525
2013			1,090,000	122,325	340,000	145,150
2014			1,240,000	65,100	360,000	132,825
2015					380,000	113,925
2016					405,000	93,975
2017					435,000	72,712
2018					460,000	49,875
2019					490,000	25,724
2020						
2021						
2022						
2023						
2024						
2025						
	<u>\$ 270,000</u>	<u>\$ 26,715</u>	<u>\$3,960,000</u>	<u>\$1,322,412</u>	<u>\$ 4,860,000</u>	<u>\$1,915,075</u>

Series 2003 - Exit 308		Series 2004		Series 2005	
October 1, 2003 Variable		April 1, 2004 2.0% to 4.0%		February 1, 2005 3.0% to 4.35%	
January 1		January 1		January 1	
July 1 and January 1 \$ 6,000,000		July 1 and January 1 \$ 9,600,000 160,000		July 1 and January 1 \$ 9,160,000	
<u>\$ 6,000,000</u>		<u>\$ 9,440,000</u>		<u>\$ 9,160,000</u>	
Principal	Interest	Principal	Interest	Principal	Interest
	\$ 228,000	\$ 205,000	\$ 297,563	\$ 130,000	\$ 337,370
	228,000	590,000	293,462	115,000	364,140
\$ 140,000	228,000	590,000	280,188	295,000	360,690
215,000	222,680	495,000	265,437	380,000	351,102
230,000	214,510	455,000	253,062	350,000	337,803
245,000	205,770	1,470,000	240,550	220,000	323,803
260,000	196,460	1,520,000	196,450	255,000	315,002
280,000	186,580	290,000	147,810	520,000	304,803
300,000	175,940	120,000	138,385	550,000	284,002
320,000	164,540	135,000	134,425	595,000	262,003
340,000	152,380	1,350,000	129,835	635,000	238,202
365,000	139,460	1,820,000	81,910	675,000	212,803
385,000	125,590	130,000	15,480	720,000	185,802
410,000	110,960	130,000	10,605	755,000	154,843
435,000	95,380	140,000	5,600	780,000	124,642
465,000	78,850			815,000	92,663
490,000	61,180			500,000	58,840
1,120,000	42,560			510,000	37,590
				360,000	15,660
<u>\$6,000,000</u>	<u>\$2,856,840</u>	<u>\$9,440,000</u>	<u>\$2,490,762</u>	<u>\$9,160,000</u>	<u>\$4,361,763</u>

(Continued)

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF GENERAL OBLIGATION BONDS PAYABLE
(Continued)
April 30, 2005

Totals

Original issue	\$ 67,250,000
Paid to date	<u>13,965,000</u>
Balance, April 30, 2005	<u><u>\$ 53,285,000</u></u>

Due as follows:

Year ending April 30,	Principal	Interest	Totals
2006	\$ 2,575,000	\$ 2,136,766	\$ 4,711,766
2007	2,770,000	2,069,465	4,839,465
2008	3,220,000	1,971,923	5,191,923
2009	3,500,000	1,853,400	5,353,400
2010	3,315,000	1,723,656	5,038,656
2011	3,710,000	1,592,676	5,302,676
2012	3,980,000	1,457,665	5,437,665
2013	5,015,000	1,307,764	6,322,764
2014	5,410,000	1,082,904	6,492,904
2015	4,310,000	829,848	5,139,848
2016	2,755,000	634,552	3,389,552
2017	3,320,000	525,645	3,845,645
2018	1,725,000	394,107	2,119,107
2019	1,815,000	317,812	2,132,812
2020	1,390,000	239,622	1,629,622
2021	1,315,000	183,553	1,498,553
2022	1,030,000	130,100	1,160,100
2023	1,675,000	87,990	1,762,990
2024	405,000	20,980	425,980
2025	50,000	2,800	52,800
	<u><u>\$53,285,000</u></u>	<u><u>\$18,563,228</u></u>	<u><u>\$71,848,228</u></u>

STATISTICAL SECTION

CITY OF KANKAKEE, ILLINOIS
GENERAL FUND REVENUES BY SOURCE (UNAUDITED, IN 000'S)
FISCAL YEARS ENDED APRIL 30, 1996 - 2005

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
TAXES										
General Property Taxes	\$1,137	\$1,118	\$1,145	\$1,819	\$1,924	\$2,031	\$2,157	\$2,432	\$3,065	\$3,355
State Income Tax	1,811	1,952	2,142	2,271	2,408	2,593	2,254	2,038	1,926	2,155
State Replacement Tax	450	468	491	510	591	545	476	408	458	536
Illinois Retailers Tax	2,011	2,155	2,019	2,043	2,085	2,244	2,991	3,644	4,298	5,284
Utility Taxes	2,586	2,680	2,545	2,772	2,927	3,290	3,003	3,027	3,244	3,314
Total Taxes	<u>7,995</u>	<u>8,374</u>	<u>8,342</u>	<u>9,416</u>	<u>9,935</u>	<u>10,703</u>	<u>10,881</u>	<u>11,548</u>	<u>12,990</u>	<u>14,646</u>
LICENCES, PERMITS, & FEES										
Business Licenses	91	85	86	83	85	80	84	101	104	106
Vehicle Sticker Fees	404	386	409	400	352	378	374	427	390	24
Other Licenses	32	50	49	62	56	58	66	56	39	73
Franchise Fees	151	234	252	173	174	288	251	201	213	237
Ambulance Fees	224	235	230	210	157	237	344	276	336	315
Garbage Collection Fees	1,124	763	846	844	446	0	0	0	0	0
Community Oriented										
Policing Fee	476	452	466	464	459	431	457	459	444	456
Other Permits and Fees	155	164	191	192	787	147	126	126	87	147
Total Licenses, Permits and Fees	<u>2,657</u>	<u>2,369</u>	<u>2,527</u>	<u>2,427</u>	<u>2,515</u>	<u>1,621</u>	<u>1,703</u>	<u>1,645</u>	<u>1,613</u>	<u>1,358</u>
INTERGOVERNMENTAL										
Grants from other governmental agencies	<u>211</u>	<u>474</u>	<u>481</u>	<u>312</u>	<u>743</u>	<u>641</u>	<u>552</u>	<u>426</u>	<u>358</u>	<u>284</u>
CHARGES FOR SERVICES										
Kankakee Wastewater Utility	470	477	477	516	441	213	174	166	50	90
Department of Public Works	66	93	145	173	131	461	448	570	270	541
KRMA								50	50	50
Community Development	23	19	27	49	74	77	77	77	77	142
Fire Department	119	13	12	49	51	58	85	60	66	61
Police Department	15	14	13	22	12	23	41	15	14	16
Total Charges for Services	<u>692</u>	<u>615</u>	<u>674</u>	<u>808</u>	<u>708</u>	<u>832</u>	<u>825</u>	<u>938</u>	<u>527</u>	<u>900</u>
FINES										
Traffic Fines	<u>149</u>	<u>164</u>	<u>186</u>	<u>165</u>	<u>181</u>	<u>236</u>	<u>340</u>	<u>729</u>	<u>693</u>	<u>752</u>
MISCELLANEOUS REVENUES										
Interest	33	29	45	47	45	55	17	9	39	64
Other Revenues	46	153	63	102	72	207	160	312	194	172
Total Miscellaneous Revenues	<u>79</u>	<u>182</u>	<u>108</u>	<u>150</u>	<u>118</u>	<u>262</u>	<u>177</u>	<u>321</u>	<u>233</u>	<u>237</u>
TOTAL GENERAL FUND REVENUES BY SOURCE										
	<u>\$11,784</u>	<u>\$12,179</u>	<u>\$12,318</u>	<u>\$13,278</u>	<u>\$14,200</u>	<u>\$14,293</u>	<u>\$14,478</u>	<u>\$15,607</u>	<u>\$16,415</u>	<u>\$18,177</u>

Note: There may be some slight differences in totals due to rounding

CITY OF KANKAKEE, ILLINOIS
GENERAL FUND EXPENDITURES BY FUNCTION (UNAUDITED, IN 000'S)
FISCAL YEARS ENDED APRIL 30, 1996 - 2005

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
GENERAL CITY GOVERNMENT										
Council	\$117	\$121	\$116	\$114	\$122	\$115	\$126	\$118	\$118	\$123
Mayor	55	75	58	64	102	87	95	95	93	73
Commissions & Boards	21	22	22	31	22	23	32	17	22	56
City Clerk	72	78	90	100	85	102	97	91	83	96
Adjudication Court					74	104	94	117	117	157
Treasurer										
Central Services	185	165	178	186	237	312	314	269	268	274
Collection	175	215	229	222	206	89	125	115	112	82
Computer Operations						24	99	136	68	81
Corporate Counsel	127	123	145	148	147	158	138	154	137	176
City Planning	68	72	72	51	50	50	54	55	60	40
Public Buildings & Grounds	134	111	119	134	140	149	198	114	142	116
Parking Lots										
Community Promotion	41	48	59	63	71	73	76	108	69	67
Human Relations	44	49	55	53	64	63	64	67	72	79
Group Insurance	610	696	658	660	688	821	926	1,174	1,061	1,475
Liability Insurance	458	396	665	697	876	957	1,003	1,091	1,327	1,367
Unemployment Tax						20	39	45	64	80
Transportation Support						70	72	71	63	63
Other	94	81	117	96	38	160	6	55	72	119
Total General City Government	2,202	2,251	2,582	2,619	2,922	3,377	3,559	3,895	3,950	4,524
PUBLIC SAFETY										
Police Department	3,994	4,099	4,312	4,586	5,471	5,507	5,796	6,435	6,398	6,606
Fire Department	2,521	2,658	2,758	3,259	3,617	3,538	3,704	3,899	3,852	4,416
Code Enforcement	221	320	336	377	415	327	391	448	553	566
Animal Control	29	29	20	38	30	25	48	27	19	30
Total Public Safety	6,766	7,105	7,427	8,260	9,532	9,398	9,938	10,810	10,822	11,619
PUBLIC WORKS										
	1,525	1,770	1,833	1,747	1,697	1,584	1,804	1,673	1,954	1,807
OTHER										
Public Health	801	834	884	892	611					
Residential Rehabilitation								107	77	31
Economic Development							35	196	22	32
Total Other	801	834	884	892	611	0	35	303	99	63
DEBT SERVICE										
Principal retirement	31	32						91	13	30
Interest and other fixed charges	6	2						20	0	5
Total Debt Service	36	35	0	0	0	0	0	111	13	34
TOTAL EXPENDITURES	\$11,330	\$11,994	\$12,726	\$13,518	\$14,762	\$14,359	\$15,337	\$16,792	\$16,838	\$18,047

Note: There may be some slight differences in totals due to rounding

CITY OF KANKAKEE, ILLINOIS
PROPERTY TAX LEVIES AND COLLECTIONS (UNAUDITED)
LEVY YEARS 1995 - 2004

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
General Fund:										
General Corporate	\$420,838	\$421,628	\$422,714	\$423,242	\$423,379	\$0	\$0	\$20,556	\$20,843	\$20,790
Fire Protection	195,666	196,759	197,022	198,734	198,459	197,441	198,468	222,003	220,936	222,449
Police Protection	150,632	152,117	152,244	152,731	153,097	153,353	152,359	170,613	170,913	170,475
Firemen's Pension			447,776	515,237	576,476	580,823	769,815	875,677	985,874	1,087,296
Police Pension			248,964	287,061	321,314	437,055	537,266	703,008	858,731	956,322
School Crossing Guard	21,741	23,148	23,284	23,922	24,571	24,920	24,057	26,723	31,264	27,026
Liability Insurance	225,172	226,521	227,470	228,176	234,371	657,499	657,550	945,567	946,272	945,927
Audit	26,399	26,455	26,867	27,602	28,351	28,754	28,066	30,834	25,012	33,263
Road & Bridge	85,000	85,000	95,000	100,000	100,000	100,000	100,000	0	0	0
Total General Fund Tax Extensions	<u>1,125,448</u>	<u>1,131,628</u>	<u>1,841,341</u>	<u>1,956,705</u>	<u>2,060,018</u>	<u>2,179,845</u>	<u>2,467,581</u>	<u>2,994,981</u>	<u>3,259,845</u>	<u>3,463,548</u>
Special Revenue Funds										
Civil Defense										
Parks	35,717	38,029	39,404	36,803	37,802	38,338	38,090	37,000	35,433	35,342
Band	13,976	13,228	14,329	14,721	13,231	13,418	14,033	14,389	14,590	14,553
IMRF	386,674	410,053	431,656	450,832	472,521	496,479	495,167	495,395	496,063	496,872
Library	349,404	350,529	356,431	375,388	385,577	486,894	529,248	567,340	1,290,182	1,191,244
Special Service Area No 1	107,089	106,969	79,797	118,544	117,116	118,376	101,065	113,242	117,666	110,346
Special Service Area No 2	6,010	6,086	6,033	3,025	3,009	3,009	3,007	3,030	3,050	3,017
Special Service Area No 3	0	0	0	0	0	0	0	0	52,750	52,947
Total Special Revenue Funds	<u>898,869</u>	<u>924,894</u>	<u>927,650</u>	<u>999,313</u>	<u>1,029,256</u>	<u>1,156,514</u>	<u>1,180,610</u>	<u>1,230,396</u>	<u>2,009,734</u>	<u>1,904,321</u>
Fiduciary Funds										
Firemen's Pension	315,240	378,638								
Police Pension	175,478	211,640								
Total Fiduciary Fund Extensions	<u>490,719</u>	<u>590,278</u>								
Debt Service Funds										
GO Bonds Series 2005										282,226
GO Bonds Series 2004										372,394
GO Bonds Series 2003A									101,698	101,703
GO Bonds Series 2000A						310,539	714,575	345,864	346,002	369,121
GO Bonds Series 1999A				268,659	291,678	291,370	782,056	758,245	799,663	797,337
GO Bonds Series 1998A				318,343	303,411	302,871	583,682	590,947	612,699	536,381
GO Bonds Series 1998			127,168	160,091	179,894		107,452	95,174	67,492	12,157
GO Bonds Series 1997			440,612	397,469	484,706	484,978	353,924	418,861	460,938	253,074
GO Bonds Series 1995			222,097	220,816	213,654	207,026	204,785	193,883	212,712	229,810
GO Bonds Series 1986 - 1994	1,882,123	2,030,426	1,407,809	822,539	813,660	839,605				
Total Debt Service Funds Extensions	<u>1,882,123</u>	<u>2,030,426</u>	<u>2,197,686</u>	<u>2,187,917</u>	<u>2,287,003</u>	<u>2,436,389</u>	<u>2,746,474</u>	<u>2,402,973</u>	<u>2,601,206</u>	<u>2,954,203</u>
Total Extensions	<u>\$4,397,158</u>	<u>\$4,677,226</u>	<u>\$4,966,677</u>	<u>\$5,143,935</u>	<u>\$5,376,277</u>	<u>\$5,772,748</u>	<u>\$6,394,665</u>	<u>\$6,628,350</u>	<u>\$7,870,785</u>	<u>\$8,322,072</u>
Total Collections										
General Fund	\$1,118,143	\$1,144,987	\$1,818,919	\$1,923,539	\$2,030,902	\$2,156,996	\$2,434,613	\$3,066,754	\$3,354,623	
Civil Defense Fund										
Park Fund	35,310	38,116	38,776	36,070	37,215	37,846	37,509	36,564	35,255	
Band Fund	13,817	13,258	14,100	14,428	13,026	13,249	13,821	14,217	14,514	
IMRF	382,272	410,985	424,771	441,860	465,207	490,109	487,621	489,556	493,595	
Firemen's Pension Fund	311,652	379,498								
Police Pension Fund	173,481	212,121								
Library Fund	353,328	356,849	349,514	365,000	379,610	480,755	521,315	560,193	1,282,830	
Special Service Area No. 1	110,347	105,671	150,944	118,732	108,258	118,518	101,146	112,465	116,942	
Special Service Area No. 2	5,951	6,102	6,012	3,017	3,008	3,009	3,009	3,031	3,050	
Debt Service Funds	1,860,699	2,034,874	2,162,807	2,144,371	2,251,606	2,405,125	2,704,603	2,374,663	2,588,274	
Total Collected	<u>\$4,365,000</u>	<u>\$4,702,461</u>	<u>\$4,965,843</u>	<u>\$5,047,017</u>	<u>\$5,288,832</u>	<u>\$5,705,607</u>	<u>\$6,303,637</u>	<u>\$6,657,443</u>	<u>\$7,889,083</u>	
Percent of Extensions Collected	<u>99.3%</u>	<u>100.5%</u>	<u>99.9%</u>	<u>98.1%</u>	<u>98.4%</u>	<u>98.8%</u>	<u>98.6%</u>	<u>100.4%</u>	<u>100.2%</u>	

CITY OF KANKAKEE, ILLINOIS
ASSESSED VALUATION AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY (UNAUDITED)
LEVY YEARS 1995 - 2004

Levy Year	Residential	Commercial	Industrial	Farm	Railroad	Valuation, City of Kankakee		Ratio, Assessed/ Actual
						Assessed	Actual	
2004	\$138,098,922	\$ 68,246,503	\$ 21,439,393	\$ 488,177	\$1,203,251	\$229,476,246	\$ 688,428,738	33.3%
2003	140,737,615	64,576,073	21,167,724	505,454	1,366,946	228,353,812	685,061,436	33.3%
2002	138,201,636	64,106,550	21,289,432	478,488	1,369,432	225,445,538	676,336,614	33.3%
2001	133,996,738	63,390,332	20,627,505	507,987	1,344,350	219,866,912	659,600,736	33.3%
2000	127,561,655	63,892,456	19,260,964	336,545	1,326,195	212,377,815	637,133,445	33.3%
1999	126,783,784	65,471,979	19,095,750	400,729	1,415,246	213,167,488	639,502,464	33.3%
1998						207,304,468	621,913,404	33.3%
1997						203,062,460	609,187,380	33.3%
1996	108,868,708	63,170,617	17,826,834	265,098	1,167,622	191,298,879	573,896,637	33.3%
1995	102,252,251	62,781,501	11,635,829	219,390	1,118,117	178,007,088	534,021,264	33.3%

Note: State law prescribes an assessment ration of 33% of actual value.

CITY OF KANKAKEE, ILLINOIS
PROPERTY TAX RATES PER \$100 ASSESSED VALUATION, DIRECT AND OVERLAPPING GOVERNMENT (UNAUDITED)
LEVY YEARS 1995 - 2004

LEVY YEAR	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General Fund:										
General Corporate	\$0.271	\$0.255	\$0.236	\$0.230	\$0.224			\$0.010	\$0.010	\$0.010
Fire Protection	0.126	0.119	0.110	0.108	0.105	\$0.103	\$0.099	0.108	0.106	0.107
Police Protection	0.097	0.092	0.085	0.083	0.081	0.080	0.076	0.083	0.082	0.082
Firemen's Pension			0.250	0.280	0.305	0.303	0.384	0.426	0.473	0.523
Police Pension			0.139	0.156	0.170	0.228	0.268	0.342	0.412	0.460
School Crossing Guard	0.014	0.014	0.013	0.013	0.013	0.013	0.012	0.013	0.012	0.013
Liability Insurance	0.145	0.137	0.127	0.124	0.124	0.343	0.328	0.460	0.454	0.455
Audit	0.017	0.016	0.015	0.015	0.015	0.015	0.014	0.015	0.015	0.016
Road & Bridge	0.055	0.051	0.053	0.054	0.053	0.052	0.050	0.049	0.049	0.049
Total General Fund	<u>0.725</u>	<u>0.684</u>	<u>1.028</u>	<u>1.063</u>	<u>1.090</u>	<u>1.137</u>	<u>1.231</u>	<u>1.506</u>	<u>1.613</u>	<u>1.715</u>
Special Revenue Funds										
Civil Defense										
Parks	0.023	0.023	0.022	0.020	0.020	0.020	0.019	0.018	0.017	0.017
Band	0.009	0.008	0.008	0.008	0.007	0.007	0.007	0.007	0.007	0.007
IMRF	0.249	0.248	0.241	0.245	0.250	0.259	0.247	0.241	0.238	0.239
Library	0.225	0.212	0.199	0.204	0.204	0.254	0.264	0.276	0.619	0.573
Special Service Area No 1	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000	2.000
Special Service Area No 2	0.122	0.116	0.108	0.055	0.053	0.053	0.051	0.050	0.048	0.047
Special Service Area No 3	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	1.249	1.198
Total Special Revenue Funds	<u>2.628</u>	<u>2.607</u>	<u>2.578</u>	<u>2.532</u>	<u>2.534</u>	<u>2.593</u>	<u>2.588</u>	<u>2.592</u>	<u>4.178</u>	<u>4.081</u>
Fiduciary Funds										
Firemen's Pension	0.203	0.229								
Police Pension	0.113	0.128								
Total Fiduciary Fund	<u>0.316</u>	<u>0.357</u>								
Debt Service Funds										
GO Bonds Series 2005										0.136
GO Bonds Series 2004										0.179
GO Bonds Series 2003A										0.049
GO Bonds Series 2000A						0.162	0.356	0.168	0.173	0.178
GO Bonds Series 1999A				0.146	0.154	0.152	0.390	0.369	0.399	0.383
GO Bonds Series 1998A				0.173	0.161	0.158	0.291	0.288	0.306	0.258
GO Bonds Series 1998			0.071	0.087	0.096		0.054	0.046	0.034	0.006
GO Bonds Series 1997		0.180	0.246	0.216	0.256	0.253	0.177	0.204	0.230	0.122
GO Bonds Series 1995	0.187	0.210	0.124	0.120	0.113	0.108	0.102	0.094	0.106	0.110
GO Bonds Series 1994	0.245	0.380	0.401							
GO Bonds Series 1993	0.049									
GO Bonds Series 1992	0.409	0.458	0.385	0.447	0.430	0.438				
GO Bonds Series 1986	0.322	-	-	-	-	-	-	-	-	-
Total Debt Service Funds	<u>1.212</u>	<u>1.228</u>	<u>1.227</u>	<u>1.189</u>	<u>1.210</u>	<u>1.271</u>	<u>1.370</u>	<u>1.169</u>	<u>1.248</u>	<u>1.421</u>
Total City	<u>4.881</u>	<u>4.876</u>	<u>4.833</u>	<u>4.784</u>	<u>4.834</u>	<u>5.001</u>	<u>5.189</u>	<u>5.267</u>	<u>7.039</u>	<u>7.217</u>
Overlapping Units										
Kankakee Township	0.647	0.625	0.696	0.602	0.525	0.521	0.509	0.501	0.502	0.536
School District No 111	4.526	4.810	4.678	4.688	4.636	4.667	4.613	4.577	4.620	4.664
Kankakee Valley Airport Authority	0.060	0.086	0.054	0.071	0.067	0.061	0.064	0.056	0.051	0.049
Kankakee Valley Park District	0.530	0.611	0.591	0.580	0.576	0.580	0.566	0.564	0.568	0.577
Kankakee County Forest Preserve District	0.051	0.058	0.056	0.055	0.056	0.058	0.059	0.060	0.060	0.060
Kankakee County	0.843	0.886	0.882	0.873	0.863	0.881	0.877	0.874	0.881	0.881
Kankakee Community College Dist #520	0.221	0.216	0.213	0.209	0.208	0.208	0.238	0.280	0.311	0.304
Total Overlapping Units	<u>6.878</u>	<u>7.292</u>	<u>7.170</u>	<u>7.078</u>	<u>6.931</u>	<u>6.976</u>	<u>6.926</u>	<u>6.912</u>	<u>6.993</u>	<u>7.071</u>
Overall Tax Rate	<u>\$11.759</u>	<u>\$12.168</u>	<u>\$12.003</u>	<u>\$11.862</u>	<u>\$11.765</u>	<u>\$11.977</u>	<u>\$12.115</u>	<u>\$12.179</u>	<u>\$14.032</u>	<u>\$14.288</u>

CITY OF KANKAKEE, ILLINOIS
SPECIAL ASSESSMENT COLLECTIONS (UNAUDITED)
FISCAL YEARS 1996 - 2005

Fiscal Year	Assessments Receivable Beginning of Year	Principal Payments	Assessments Receivable End of Year
2005	\$22,643	\$0	\$22,643
2004	22,643	0	22,643
2003	22,643	0	22,643
2002	22,643	0	22,643
2001	22,799	156	22,643
2000	23,361	562	22,799
1999	24,189	828	23,361
1998	25,072	883	24,189
1997	26,035	1,215	25,072
1996	38,028	11,993	26,035

CITY OF KANKAKEE, ILLINOIS
RATIO OF DIRECT GENERAL BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA (UNAUDITED)
LEVY YEARS 1995 - 2004

LEVY YEAR	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Population	<u>29,859</u>	<u>29,859</u>	<u>29,859</u>	<u>29,859</u>	<u>29,859</u>	<u>27,491</u>	<u>27,491</u>	<u>27,491</u>	<u>27,491</u>	<u>27,491</u>
ASSESSED VALUATIONS (in 000's)										
City of Kankakee	<u>\$178,007</u>	<u>\$191,299</u>	<u>\$203,062</u>	<u>\$207,304</u>	<u>\$213,167</u>	<u>\$212,378</u>	<u>\$219,667</u>	<u>\$225,446</u>	<u>\$228,354</u>	<u>\$229,476</u>
Special Service Area No. 1	<u>\$6,811</u>	<u>\$6,811</u>	<u>\$4,896</u>	<u>\$8,413</u>	<u>\$8,453</u>	<u>\$8,147</u>	<u>\$7,294</u>	<u>\$7,891</u>	<u>\$8,129</u>	<u>\$7,776</u>
Special Service Area No. 2	<u>\$4,926</u>	<u>\$5,246</u>	<u>\$5,587</u>	<u>\$5,500</u>	<u>\$5,677</u>	<u>\$5,677</u>	<u>\$5,895</u>	<u>\$6,060</u>	<u>\$6,354</u>	<u>\$6,420</u>
Special Service Area No. 3								<u>\$4,023</u>	<u>\$4,223</u>	<u>\$4,420</u>
NET GENERAL BONDED DEBT (in 000's)										
General Obligation Debt										
1986 - 1994 Bonds	\$25,735	\$20,255	\$18,885	\$10,955	\$9,695	\$6,905				
1994 Corporate Purpose Bonds										
1995 Corporate Purpose Bonds		3,680	3,410	3,255	3,095	2,905	\$2,715	\$2,525	\$835	\$610
1997 Corporate Purpose Bonds		7,200	7,180	7,110	7,080	6,960	6,835	6,835	855	745
1998 Corporate Purpose Bonds			3,265	3,265	3,265	3,245	3,210	3,160	3,100	
1998A Corporate Purpose Bonds				6,735	6,735	6,735	6,735	6,455	6,155	5,820
1999A Corporate Purpose Bonds				6,785	6,785	6,785	6,785	6,295	5,810	5,265
2000A Corporate Purpose Bonds						4,590	4,560	4,040	3,865	3,670
2000B Corporate Purpose Bonds						1,515	1,195	830	425	
2001A Bonds Series A							3,450	3,375	3,295	3,215
2001A Bonds Series B							450	390	330	270
2001A Bonds Series C							450	390	330	270
2003A Bonds									3,960	3,960
2003B Bonds									4,860	4,860
2003 Bonds									6,000	6,000
2004 Bonds									9,600	9,440
2005 Bonds	-	-	-	-	-	-	-	-	-	9,160
Total General Obligation Debt	<u>25,735</u>	<u>31,135</u>	<u>32,740</u>	<u>38,105</u>	<u>36,655</u>	<u>39,640</u>	<u>36,385</u>	<u>34,295</u>	<u>49,420</u>	<u>53,285</u>
Revenue Debt										
Sewerage Revenue Bonds	24,085	24,085	22,820	7,140	6,925	6,665	10,425	9,995	9,545	9,075
Total Revenue Bonds	<u>24,085</u>	<u>24,085</u>	<u>22,820</u>	<u>7,140</u>	<u>6,925</u>	<u>6,665</u>	<u>10,425</u>	<u>9,995</u>	<u>9,545</u>	<u>9,075</u>
Total Direct Debt	<u>49,820</u>	<u>55,220</u>	<u>55,560</u>	<u>45,245</u>	<u>43,580</u>	<u>46,305</u>	<u>46,810</u>	<u>44,290</u>	<u>58,965</u>	<u>62,360</u>
Less Self Supporting Debt:										
Revenue Debt	24,085	24,085	22,820	7,140	6,925	6,665	10,425	9,995	9,545	9,075
Self Supporting TIF Debt 1990 - 2	3,880	3,650	3,385	3,100	2,770	955				
Self Supporting 1992A TIF Debt										
Self Supporting 1995 TIF Debt	1,765	1,765	1,755	1,745	1,735	1,695	1,655	1,615	1,590	
Self Supporting 1998 TIF Debt			3,265	3,265	3,265	3,245	3,210	3,160	3,100	
Self Supporting 2000 TIF Debt						2,015	1,695	1,325	915	485
Self Supporting 2000 SSA#1 Debt							410	335	255	175
Self Supporting 2001 TIF Debt							900	780	660	540
Self Supporting 2003 TIF Debt									4,860	4,860
Self Supporting 2004 TIF Debt									6,000	6,000
Self Supporting 2005 TIF Debt	-	-	-	-	-	-	-	-	-	4,710
	<u>29,730</u>	<u>29,500</u>	<u>31,225</u>	<u>15,250</u>	<u>14,695</u>	<u>14,575</u>	<u>18,295</u>	<u>17,210</u>	<u>26,925</u>	<u>25,845</u>
Net Direct Debt	<u>\$20,090</u>	<u>\$25,720</u>	<u>\$24,335</u>	<u>\$29,995</u>	<u>\$28,885</u>	<u>\$31,730</u>	<u>\$28,515</u>	<u>\$27,080</u>	<u>\$32,040</u>	<u>\$36,515</u>
Ratio of Debt to Assessed Value	<u>\$0.113</u>	<u>\$0.134</u>	<u>\$0.120</u>	<u>\$0.145</u>	<u>\$0.136</u>	<u>\$0.149</u>	<u>\$0.130</u>	<u>\$0.120</u>	<u>\$0.140</u>	<u>\$0.159</u>
Ratio of Debt Per Capita	<u>\$672.83</u>	<u>\$861.38</u>	<u>\$815.00</u>	<u>\$1,004.55</u>	<u>\$967.38</u>	<u>\$1,154.20</u>	<u>\$1,037.25</u>	<u>\$985.05</u>	<u>\$1,165.47</u>	<u>\$1,328.25</u>

CITY OF KANKAKEE, ILLINOIS
STATEMENT OF DIRECT AND OVERLAPPING DEBT (UNAUDITED)
April 30, 2005

<u>Jurisdiction</u>	<u>Outstanding Debt</u>	<u>Estimate</u>	
		<u>Applicable to City Percent</u>	<u>Amount</u>
Direct			
City of Kankakee ⁽¹⁾	\$ 34,440,000	100.00%	\$ 34,440,000
Overlapping ⁽²⁾			
Kankakee School District No. 111	22,599,278	67.51%	15,256,773
Herscher Community Unit School District No. 2	7,480,000	1.09%	81,532
Kankakee Valley Airport Authority	1,300,000	37.68%	489,840
Kankakee Valley Park District	573,500	67.46%	386,883
School District No. 61	1,310,000	5.23%	68,513
High School District No. 307	4,927,268	1.85%	91,154
Community Unit School District No. 4 (Clifton)	13,193,794	0.37%	48,817
Bourbonnais Park District	900,000	2.01%	18,090
Kankakee Community College 520	1,290,000	12.16%	156,864
Kankakee County	4,945,000	15.00%	741,750
Total Overlapping Debt	<u>58,518,840</u>		<u>17,340,216</u>
Total Net Direct and Overlapping Debt	<u>\$92,958,840</u>		<u>\$ 51,780,216</u>
Per Capita Direct and Overlapping Debt			<u>\$ 1,884</u>
2004 Equalized Assessed Valuation (EAV)			\$ 229,476,246
2004 Estimated Full Valuation			\$ 688,428,738
Population - Current Estimate			27,491
Full Valuation per Capita			\$ 25,042

<u>Debt Ratios</u>				
		<u>% EAV</u>	<u>% Full Value</u>	<u>Per Capita</u>
Net Direct Debt:	\$ 34,440,000	15.01%	5.00%	\$ 1,253
Net Direct and Overlapping Debt:	\$ 51,780,216	22.56%	7.52%	\$ 1,884

(1) Net direct debt is exclusive of self-supporting debt

(2) Debt Information current to 11/15/05

CITY OF KANKAKEE, ILLINOIS
RATIO OF DEBT SERVICE EXPENDITURES TO GENERAL EXPENDITURES (UNAUDITED) ¹
FISCAL YEARS 1996 - 2005

<u>FISCAL YEAR</u>		<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Expenditures</u>	<u>Debt Service/ Gen. Exps.</u>
2005	\$	1,450,000	\$ 1,262,182	\$ 2,712,182	\$ 18,047,228	15.03%
2004		1,250,000	1,370,655	2,620,655	16,837,603	15.56%
2003		1,510,000	1,319,560	2,829,560	16,792,052	16.85%
2002		1,510,000	1,513,274	3,023,274	15,337,343	19.71%
2001		1,245,000	1,462,006	2,707,006	14,358,541	18.85%
2000		1,110,000	1,498,396	2,608,396	14,761,796	17.67%
1999		1,460,000	1,513,578	2,973,578	13,517,521	22.00%
1998		1,385,000	1,333,209	2,718,209	12,725,713	21.36%
1997		1,020,000	1,151,822	2,171,822	11,994,398	18.11%
1996		760,000	1,297,252	2,057,252	11,330,556	18.16%

¹ Excludes self supporting TIF debt and component unit debt

COMPUTATION OF LEGAL DEBT MARGIN (UNAUDITED)

The City of Kankakee, Illinois is a "Home Rule" unit as established by the 1970 Illinois Constitution. As a Home Rule community, no statutory debt limit exists.

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF REVENUE SUPPORTED BOND COVERAGE (UNAUDITED)
FISCAL YEARS 1996 - 2005

FISCAL YEAR	Revenue	Expense ⁽¹⁾	Available For		Interest	Total ⁽²⁾	Coverage ⁽³⁾
			Debt Service	Principal			
2005	\$ 8,257,237	\$ 7,588,837	\$ 668,400	\$ 470,000	\$ 435,823	\$ 905,823	0.74
2004	7,919,209	7,278,870	640,339	450,000	457,855	907,855	0.71
2003	8,203,457	7,781,036	422,421	430,000	478,685	908,685	0.46
2002	8,598,283	7,132,763	1,465,520	510,000	393,324	903,324	1.62
2001	8,682,594	7,229,298	1,453,296	260,000	338,203	598,203	2.43
2000	8,112,628	6,222,174	1,890,454	215,000	360,361	575,361	3.29
1999	7,136,226	4,181,725	2,954,501	690,000	1,566,223	2,256,223	1.31
1998	6,395,460	4,229,555	2,165,905	650,000	1,606,848	2,256,848	0.96
1997	6,284,293	4,679,783	1,604,510	615,000	1,644,362	2,259,362	0.71
1996	6,832,514	4,636,328	2,196,186	580,000	1,679,163	2,259,163	0.97

(1) Total expenses exclusive of interest and depreciation.

(2) For the succeeding year.

(3) Net revenues available for Debt Service divided by Debt Service payments.

City of Kankakee, Illinois
Miscellaneous Statistical & Demographic Data (Unaudited)
April 30, 2005

The City of Kankakee is located approximately 60 miles south of Chicago, and 78 miles north of Champaign.
Kankakee is approximately 30 miles south of Interstate 80 on Interstate 57.

Date of Incorporation	1865	Kankakee Community College	
		Students Enrolled	3,198
Form of Government	City/Aldermanic	Olivet Nazarene University	
Population	27,491	Students Enrolled	4,485
1999 Median Family Income	\$36,428	Recreation - Park District	
1999 Median Home Value	\$73,400	Number of Parks	30
		Number of Acres	623
Average Home Sales Price	\$89,219	Health Care	
Area - Square Miles	13.65	Hospitals	
Miles of Sewers	130	Provena St. Mary's	210 Beds
Capacity	25,000,000 GPD	Riverside Medical Center	261 Beds
Present Load	12,400,000 GPD	Utilities	
Excess Capacity	12,600,000 GPD	Water	Consumers Illinois Water Co.
Number of Dwelling Units	10,953	Gas	NICOR
Fire Protection		Electric	Commonwealth Edison
Number of Stations	4	Telephone	Ameritech
Number of Firefighters	51	Cable TV	Comcast Cable Services
Police Protection		Sanitary	Kankakee Wastewater Utility
Number of Stations	1	Transportation	
Number of Police Officers	68	Railroad	Amtrak
Number of Civilian Employees	16		Canadian National
Other City Employees	200		Conrail
Education		Bus Lines	Greyhound
School District #111			River Valley Metro
Number of Primary Schools (K-3)	7	Air Service	Kankakee Valley Regional Airport
Number of Elementary Schools (4-6)	2	Enterprise Zones	Yes
Number of Secondary Schools	2	Tax Increment Financing Districts	
Students Enrolled:	5,351		Yes, 8

CITY OF KANKAKEE, ILLINOIS
PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS (UNAUDITED)
FISCAL YEARS 1996 - 2005

FISCAL YEAR ENDING April 30,	New Construction		Commercial		Repair & Remodeling		Total		Bank Deposits *	Current Property Values
	#	Value	#	Value	#	Value	#	Value		
2005	19	\$641,116	19	\$12,510,918	1,304	\$12,269,698	1,342	\$25,421,732	\$2,065,501,000	688,428,738
2004	8	720,434	10	25,623,138	1,397	9,296,288	1,415	35,639,860	1,820,067,000	685,061,436
2003	3	462,000	16	18,070,177	1,180	12,161,363	1,199	30,693,540	1,692,024,000	676,336,614
2002	2	170,000	9	2,148,309	769	9,713,782	778	12,032,091	1,390,765,000	659,600,736
2001	5	352,600	9	6,520,250	904	6,905,559	918	13,778,409	1,326,287,000	637,133,445
2000	30	477,790	29	16,231,254	1,297	6,327,438	1,356	23,036,482	1,266,598,000	639,502,464
1999	3	176,700	20	7,368,552	1,419	10,470,374	1,442	18,015,626	1,209,839,000	621,913,404
1998	8	767,000	13	1,582,342	1,615	9,061,571	1,636	11,410,913	1,231,224,000	609,187,380
1997	49	766,194	22	3,277,641	2,186	11,987,280	2,257	16,031,115	1,260,098,000	573,896,637
1996	4	220,000	15	12,464,052	1,015	19,878,156	1,034	31,562,208	1,004,525,000	534,021,264

* Bank deposit figures from FDIC web site; includes all of Kankakee County

CITY OF KANKAKEE, ILLINOIS
PRINCIPAL TAXPAYERS (UNAUDITED)
April 30, 2005

<u>Name</u>	<u>Product/Service</u>	<u>2004 EAV</u>
Cognis Corporation	Chemicals	\$6,414,135
Great Oak LLC	Shopping Center	4,052,572
Riverside Senior Living Center	Elderly Housing	2,793,759
Armstrong World Industries, Inc.	Vinyl Tile	2,774,970
Riverside Medical Center	Medical Professional	2,742,962
Riverwoods Association	Elderly Housing	2,558,509
Space Center Chicago Inc.	Food Production	2,556,417
Cor Unum	Elderly Housing	1,960,004
GNB Industrial Battery	Industrial Batteries	1,938,391
Heritage Executive Center, Inc.	Office Building	1,840,155
Total		<u>\$29,631,874</u>
	2004 EAV	<u>\$229,476,246</u>
	Percent of Total EAV	<u>12.91%</u>

Source: Kankakee County Supervisor of Assessments

CITY OF KANKAKEE, ILLINOIS
LARGEST REGIONAL EMPLOYERS (UNAUDITED)
April 30, 2005

<u>Name</u>	<u>Product/Service</u>	<u>Approximate No. of Employees</u>
Riverside Healthcare	Hospital	2,000
Shapiro Developmental Center	Hospital	1,300
CIGNA (Connecticut General Insurance)	Insurance claims processing	1,111
Aventis Behring	Pharmaceuticals	900
St. Mary's Hospital (Provena)	Hospital	800
Baker & Taylor Company	Book distribution	800
Kankakee School District No 111	Education	800
Sears Logistics Services	Midwest product distribution	500
Kankakee County Government	Government	550
Burns International Security Services	Industrial security services	400
K-Mart Distribution Center	Midwest product distribution	400
Olivet Nazarene University	Private university	400
Kankakee Community College	Education	396
City of Kankakee	City government	352
A.N. Webber, Inc.	Interstate trucking and warehousing	300
Armstrong World Industries, Inc.	Flooring	300
R.J. Van Drunen & Sons, Inc.	Frozen foods	300

Sources: Kankakee County Economic Development Council, phone canvas November 2005,
2005 Illinois Manufacturers Directory, and 2005 Illinois Services Directory

Unemployment Data (Unaudited)

<u>Year</u>	<u>Kankakee</u>	<u>Kankakee County</u>	<u>State of Illinois</u>	<u>%</u>
September 2005 (1)	9.0 %	5.5 %	5.4	
2004	11.5	7.6	6.2	
2003	11.5	7.4	6.7	
2002	10.4	6.7	6.5	
2001	7.9	5.3	5.4	
2000	6.7	4.6	4.5	
1999	8.7	5.2	4.5	
1998	9.4	5.8	4.5	
1997	9.0	5.4	4.8	
1996	9.4	5.5	5.3	

(1) Preliminary rate for month of September 2005

Source: Illinois Bureau of Employment Security

SINGLE AUDIT SECTION



**PAYNE
GRAY
GROSKREUTZ
& SCHMIDT**

ACCOUNTANTS AND CONSULTANTS

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Stephen P. Schmidt, C.P.A.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Mayor and City Council
City of Kankakee
Kankakee, Illinois 60901

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Kankakee, Illinois, as of and for the year ended April 30, 2005, which collectively comprise the City of Kankakee, Illinois' basic financial statements and have issued our report thereon dated September 15, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Kankakee, Illinois' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Kankakee, Illinois' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on

compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, City Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Payne, Gray, Groskreutz & Schmidt

September 15, 2005



**PAYNE
GRAY
GROSKREUTZ
& SCHMIDT**

ACCOUNTANTS AND CONSULTANTS

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**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Mayor and City Council
City of Kankakee
Kankakee, Illinois 60901

Compliance

We have audited the compliance of the City of Kankakee, Illinois, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended April 30, 2005. The City of Kankakee, Illinois' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Kankakee, Illinois' management. Our responsibility is to express an opinion on the City of Kankakee, Illinois' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Kankakee, Illinois' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Kankakee, Illinois' compliance with those requirements.

In our opinion, the City of Kankakee, Illinois, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended April 30, 2005.

Internal Control Over Compliance

The management of the City of Kankakee, Illinois, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Kankakee, Illinois' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose

of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Payne, Gray, Groskreutz & Schmidt

September 15, 2005

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CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended April 30, 2005

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number
<u>MAJOR PROGRAMS</u>		
<u>Department of Housing and Urban Development</u>		
Community Development Block Grant:		
Program year 2005	14.218	B-04-MC-17-0026
Program year 2004	14.218	B-03-MC-17-0026
Jobs Bill Grant:		
Program year 1983	14.218	N/A
Community Development Initiative/Section 108		
Loan Gaurantee	14.246	B-96-MC-17-0026
Passed-through Illinois Housing Development		
Authority:		
Homebuyers Program	14.239	H-H-687
Homebuyers Program	14.239	H-H-760
Single Family Owner-Occupied Rehab Program	14.239	H-O-780
Small Rental Properties Program	14.239	H-S-749
Total Department of Housing and Urban Development		
<u>OTHER PROGRAMS</u>		
<u>Department of Labor</u>		
Passed-through Senior Service America		
Education and Research Center:		
Senior Aides Program - FY 05	17.235	AD-04-55
Senior Aides Program - FY 04	17.235	AD-03-55
Total Department of Labor		

<u>Program or Award Amount</u>	<u>Program Balance May 1, 2004</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Program Balance April 30, 2005</u>
\$ 707,000		\$ 448,011	\$ 448,011	\$ -0-
709,000		257,837	257,837	-0-
219,000	\$ 7,725			7,725
1,000,000	(37,547)	5,180		(32,367)
160,440		24,799	24,799	-0-
160,440		160,440	160,440	-0-
183,742		178,918	178,918	-0-
157,500		157,092	157,092	-0-
	<u>(29,822)</u>	<u>1,232,277</u>	<u>1,227,097</u>	<u>(24,642)</u>
203,424		157,286	157,286	-0-
212,175		35,634	35,634	-0-
	<u>-0-</u>	<u>192,920</u>	<u>192,920</u>	<u>-0-</u>

(Continued)

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)
For the year ended April 30, 2005

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number
<u>Department of Housing and Urban Development</u>		
Lead-Based Paint Hazard Control Program	14.900	ILLHBO155-00
<u>Department of Homeland Security</u>		
Firefighting Vehicle	83.544	EMW-2003-FG-08576
<u>Department of Justice</u>		
PPSE Grant - Volunteers In Police Service	16.592	2003-CK-WX-0320
Gang Resistance Education and Training	16.544	2004-JV-FX-0139
Local Law Enforcement Block Grants Program	16.592	2004-LB-BX-0579
Local Law Enforcement Block Grants Program	16.592	2002-LB-BX-1955
Local Law Enforcement Block Grants Program	16.592	2003-LB-BX-0595
Secure Our School Grant	16.710	2003-CK-WX-0383
Passed-through Kankakee Area Metro Enforcement Group:		
Expanding Multi-jurisdictional Narcotics Unit	16.579	404005
Expanding Multi-jurisdictional Narcotics Unit	16.579	403005
Passed-through Illinois Criminal Justice Information Authority:		
Law Enforcement/Prosecutor-Based Victim Assistance Services	16.575	202044
Law Enforcement/Prosecutor-Based Victim Assistance Services	16.575	204044
Total Department of Justice		
Total Other Programs		
Total Federal Awards		

<u>Program or Award Amount</u>	<u>Program Balance May 1, 2004</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Program Balance April 30, 2005</u>
\$ 5,999,981	\$ -0-	\$1,477,045	\$1,477,045	\$ -0-
175,950	-0-	87,975	87,975	-0-
50,000		14,006	14,006	-0-
29,110		9,517	9,517	-0-
49,081		49,081		49,081
97,000	7,750		7,750	-0-
94,832	94,832		63,766	31,066
50,000		36,967	36,967	-0-
32,509		2,709	2,709	-0-
32,509	(2,709)	32,509	29,800	-0-
		17,280	17,280	-0-
		9,956	9,956	-0-
	<u>99,873</u>	<u>172,025</u>	<u>191,751</u>	<u>80,147</u>
	<u>99,873</u>	<u>1,929,965</u>	<u>1,949,691</u>	<u>80,147</u>
<u>\$ 70,051</u>	<u>\$3,162,242</u>	<u>\$3,176,788</u>	<u>\$ 55,505</u>	

CITY OF KANKAKEE, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended April 30, 2005

SECTION I - SUMMARY OF AUDIT RESULTS:

Financial Statements

1. The auditors' report, dated September 15, 2005, expresses an unqualified opinion on the basic financial statements of the City of Kankakee.
2. No reportable conditions or material weaknesses on internal control relating to the audit of the basic financial statements of the City of Kankakee are reported.
3. No instances of noncompliance material to the basic financial statements of the City of Kankakee were disclosed during the audit.

Federal Awards

1. No reportable conditions on internal control relating to the audit of the major federal award programs of the City of Kankakee are reported.
2. The auditors' report on compliance for the major federal award programs for the City of Kankakee expresses an unqualified opinion on all major federal programs.
3. No audit findings relating to the major federal award programs of the City of Kankakee are reported.
4. Community Development Block Grant (CFDA #14.218) and Home Investment Partnerships Program (CFDA #14.239) were tested as major programs for the year ended April 30, 2005.
5. The threshold for distinguishing Types A and B programs was \$300,000.
6. The City of Kankakee qualified as a low-risk auditee.

SECTION II - FINANCIAL STATEMENT FINDINGS:

No findings are reported.

SECTION III - SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS:

No findings were reported.